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JPRS-CEA-84-042

5 June 1984

China Report

ECONOMIC AFFAIRS

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5 June 1984

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NATIONAL POLICY AND ISSUES

STATE COUNCIL RESOLUTION ON STRENGTHENING STATISTICAL WORK

Beijing ZHONGHUA RENMIN GONGHEGUO GUOWUYUAN GONGBAO [BULLETIN OF THE STATE COUNCIL OF THE PEOPLE'S REPUBLIC OF CHINA] in Chinese No 1, 20 Mar 84 pp 3-6

[Resolution: "State Council Resolution on Strengthening Statistical Work 6 January 1984, Reference 'Guofa (1984) No 7'"]

[Text] Statistics is an important basic work of socialist construction. To achieve our country's modernization in industry, agriculture, science and national defense, we must achieve the modernization of statistical work.

Since the 3d Plenary Session of the 11th CPC Central Committee, statistical work has gradually recovered from the serious destruction of the 10 years of turmoil and has, furthermore, achieved new developments with most excellent results. However, compared with the demands of socialist modernization, our statistical work is still backward and cannot by far satisfy the demands of the objective developments of the situation. For the special purpose of implementing the "Statistics Law of the People's Republic of China," accelerating the pace of modernization of statistical work and creating a new overall situation in statistical work, the following resolution has been adopted:

1. Enhance Our Understanding of Statistical Work

Statistics is an important means of gaining knowledge of society. Without accurate statistics, it is hardly possible to carry out a planned economy. The more the economy develops, the more is it necessary to strengthen statistical work. The more the economy gains in vitality, the more it becomes necessary to have statistical supervision play its role.

Statistical information reflects the overall situation of the national economy and of social development; it is the backbone of socioeconomic information. Modernization of statistical work is one of the focal points in the modernization of all information work.

Leaders in certain localities, departments and units presently still do not truly understand the important function of statistics, do not conscientiously take charge of statistical work and are not apt to use statistical data in the study of problems and in the guidance of work. This situation has to be changed.

2. Strengthen the Modernization of Statistical Work

Modernization of statistical work means to employ the advanced science of statistics and modern computation techniques to reform and perfect our country's statistical work and, furthermore, to bring about accuracy of data, an abundance of material and quick access to information, so as to meet the needs of socialist modernization. For this purpose, it is necessary to achieve gradually a complete system of statistical indicators, a standardization of statistical classifications, a scientific method of statistical investigations, a standardization of basic statistical work, a modernization of statistical computation and data transmission techniques and an upgrading of the quality of statistical services. In line with the abovestated goals, the statistical bureaus at all levels and business departments in charge should draw up concrete plans, organize implementation and, furthermore, continuously sum up experiences gained in actual practice.

Insuring the accuracy of data is a basic demand of statistical work. Leading cadres at all levels, statisticians and other personnel concerned must therefore be absolutely truthful and factual and report conditions as they are. Any formalistic deceptions are strictly prohibited. In the process of enterprise consolidation, we must treat the establishment of perfect measurements, surveys and primary records, a perfect statistical system and data quality check-up system as major concerns and, furthermore, make the realization of these various requirements the norms for acceptability.

The employment of electronic computers constitutes a major reform in statistical work. We must bring presently available electronic computers and data transmission equipment into full play. We must strive to equip all statistical bureaus of county and higher rank with minicomputers within a few years and gradually establish a sound modern computer system for statistical information.

3. Establish a Perfect, Centralized, Unified and Vigorous Statistical System

(1) Establish a statistical management system with unified leadership and separate responsibilities at the various levels. The State Statistical Bureau, under the leadership of the State Council, is charged with the responsibility of guiding all statistical work throughout the country. The local statistical bureaus of all levels are under the dual jurisdiction of the people's governments at their particular levels and the statistical bureau at the higher levels, while in statistical affairs the leadership of the statistical bureau of the higher level has priority.

(2) Establish a unified staff and budget to administer the statistical bureaus at all levels. To insure the unified completion of all statistical tasks throughout the country, it is necessary that the personnel establishment of all statistical bureaus of county and higher rank gradually be determined by the State Council, that the needed operational expenses for statistical work be allocated from central government finances and that capital construction expenditures be arranged by the State Capital Construction Commission. Concrete administrative procedures shall be determined and transmitted to lower levels

by the State Statistical Bureau together with the State Capital Construction Commission, the Ministry of Labor and Personnel and the Ministry of Finance and implemented step by step.

(3) Replenish the statistical strength of departments in charge of business operations at all levels. In accordance with the stress on macroeconomic planning, overall balance and the demand for information, the various departments of the State Council shall establish appropriate statistical departments and effectively replenish and strengthen the statistical organization. The statistical strength of the statistical setup in the various responsible departments of lower than county rank must also be replenished and strengthened as required by the needs of their statistical tasks. It is imperative to remedy promptly the weaknesses in statistical strength that presently prevail in many departments.

(4) Increase the statistical strength of the grassroots units. Statistical work performed by the grassroots units is the foundation of all our statistical work. In all enterprises and industrial units, statistical organizations must be established and equipped, and statisticians must be employed, commensurate with their statistical tasks. The village and township people's governments shall install full-time or part-time statisticians, who shall be under the jurisdiction of the county statistical bureau as far as statistical affairs are concerned.

(5) Do a good job at organizing and setting up sampling and investigating teams in both the urban and rural areas. The State Statistical Bureau will establish the chief investigation team, while all provinces, municipalities, autonomous regions and selected counties shall establish investigation teams.

(6) In the course of reforming the local organizational structure, vigorously strengthen and perfect the statistical supervisory departments. As to the statistical setup and the statistical strength at all levels, we have no alternative but to strengthen it, it must not be weakened and we must pay particular attention to strengthen the municipal and county statistical bureaus.

4. Raise the Quality of the Statistical Cadres and Provide Stability for Our Statistical Contingent

(1) Energetically develop and reform statistical education. All universities and colleges concerned shall establish statistics departments or offer statistics as a special field of study, increase enrollments and appropriately raise the enrollment ratio of their graduate students in statistics. Provinces, municipalities and autonomous regions shall, according to actual circumstances, establish technical secondary schools for statistics or establish statistics as a special field of study in finance and economics colleges. According to the demands of the "four modernizations" as applied to cadres, the statistical organizations at the various levels shall each bear responsibility for its own level and shall employ a variety of forms of in-service training of their statistical personnel. The State Statistical Bureau and the Ministry of Education shall determine a program and organize its implementation.

(2) Actively launch scientific research work in statistics. The State Statistical Bureau shall progressively upgrade the strength of the Scientific Research Center for Statistics. The Chinese Academy of Sciences shall strengthen its setup for research in mathematical statistics. We should bring together a group of highly skilled professionals to launch scientific research in statistics and as rapidly as possible raise the level of the science of statistics in our country.

(3) We must effectively insure the quality of our statistical personnel. Newly added or supplemented service personnel must be selected from graduates of universities, colleges and technical secondary schools. If graduates of senior middle schools have to be recruited, the best should be selected through examinations. Presently employed statistical personnel who lack professional knowledge shall be trained group by group and shall have to pass examinations at the end of their training. Those who cannot qualify shall be transferred elsewhere.

(4) We must guarantee stability for our specialized statistical cadres. The transfer of local directors, deputy directors and statisticians at all levels must be submitted to the statistical bureau of the higher level for approval.

5. Establish a Leading Group for Uniform Accounting Standards in Our National Economy

To raise the level of our country's economic administration, to establish a uniform scientific system of accounting in our national economy and to unify and define the system and classification standards in statistics, accounting and business accounting, the leading group for uniform accounting standards in our national economy was set up. A certain number of persons in responsible positions and economic, financial and statistical experts of the State Planning Commission, State Economic Commission, the Ministry of Finance, Auditing Administration, the People's Bank of China, the State Statistical Bureau and the State Bureau of Standards serve as members of the group.

6. Conscientiously Propagate and Implement the "Statistics Law"

The "Statistics Law of the People's Republic of China" is the legal basis for our country's statistical work. Every locality, every department, every unit and all citizens must strictly obey and conscientiously carry out this law. Leading cadres and statisticians at all levels must set an example in the exemplary observance of the law, must truthfully reflect actual conditions and must abide by the principle that where a law exists, it has to be followed; execution of laws must be strict and violations of the law must be prosecuted. We must uphold the authority of office of our statistics organization and our statisticians to perform all statistical investigations, statistical reporting and statistical supervisory activities according to law and independently, with no one being permitted to interfere.

7. Strengthen Leadership Over Statistical Work

People's governments at all levels, all departments and all units should further strengthen the leadership in statistical work and earnestly pay close

attention to the ideological, organizational, professional and computer technology development of our statistical contingent. We must at the same time periodically examine and discuss the work of our statistical organization, strengthen the political, ideological and professional education of our statisticians and, furthermore, help them resolve their difficulties, be it in their work, in their studies or in their personal lives. The vast numbers of our statisticians must develop the workstyle of seeking truth from facts, of investigation and research, of thoroughgoing and painstaking work and of boldness in breaking new ground. They must raise their sense of responsibility and sense of honor and must exert themselves in their endeavors to make even greater contributions toward our socialist modernization enterprise.

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CSO: 4006/413

ECONOMIC PLANNING

SEEKING EMPLOYMENT FOR CHINA'S MILLIONS OF SUPERFLUOUS WORKERS

Taiyuan JINGJI WENTI [PROBLEMS IN ECONOMICS] in Chinese No 11, 25 Nov 83 pp 28-33

[Article by Sun Keliang [1327 0460 0081] of the Institute of Industrial Economics, China Academy of Social Sciences: "A Tentative Thesis on China's Basic Strategy for Realization of Full Employment"]

[Text] China is a country which has the largest labor force in the world today, and it is also a country which remains very young in the age composition of its population. These two distinctive features mean that we shall face greater employment pressure now and over a relatively long period of time. How to make appropriate arrangements for hundreds of millions in the urban and rural labor force in the course of economic development, thereby bringing about a full-fledged utilization of China's rich human resources, is an important question that should be solved in order to achieve a Chinese-style modernization.

Employment is not an isolated economic activity. It is an important component of the entire national economic system in motion. Therefore, a solution to the question of employment in the course of China's modernization lies first in placing employment in its proper place in the general strategy for economic and social development. And it is also necessary to have a set of concrete strategic measures centering on a solution to this task. Only by doing so can we stand high and see far, make overall plans, take all factors into consideration and realize the strategic goal of full employment in an orderly way. Between now and the end of this century is a period of crucial importance to consummation of the aforementioned task. In this period it is necessary to consider the adoption of the following strategic measures that are beneficial to the overall and long-range development of employment.

I. Correctly Handle Relations Between Production and Employment, Place the Economic Results of Improving Employment in First Place

Employment under socialist conditions means the development of social productivity. This is a basic guarantee for improvement of the people's material and cultural life and for the attainment of the socialist production goal. It is at the same time a prerequisite for sustaining and expanding employment. For this reason, our work on employment should proceed from a basic starting point of rendering services to the cause of production and construction and of propelling the development of social productivity; and in practice it must

adhere firmly to the principle of making reasonable arrangements for employment in accordance with social needs and of improving to the fullest the economic results of employment. Only when economic results are improved will each and every new laborer be able to generate greater output and create more surplus products in the existing conditions of production for use in expanded reproduction, in the improvement of the people's livelihood and in the creation of more new job opportunities for the workers. In this, one sees that improvement of the economic results of employment is precisely for the purpose of opening up avenues of expanding employment on a continuing basis, and this is why improvement of economic results ought to become an integral part of the work on employment, a key point of the work on employment today and in the days to come.

How can the economic results of employment be improved? At present, we must start mainly from the following three fields:

1. Persist in steadily expanding employment with a prerequisite of improving labor productivity.

Labor productivity is a leading indicator which determines economic results. To improve economic results, one must definitely focus attention on the improvement of labor productivity. If the situation of other conditions remains unchanged, employment arranged reasonably or unreasonably effects directly the state of labor productivity. Employment means an integration of the labor force with the means of production. This integration is, however, not a random integration based on subjective will. It should be an integration founded in accordance with appropriate proportions. As was pointed out a long time ago by Marx: "A definite quantity of the means of production must have a definite number of workers adapt themselves correspondingly to it." ("The Complete Works of Marx and Engels" Vol 25 p 162) This means in effect that only when the two sides are mutually adapted can a truly effective integration be attained, the maximum effectiveness of the two sides be brought into play and higher labor productivity be achieved. In a previous period, China's labor productivity grew at a slow pace, and its economic results were not good enough. One of the key factors was that an appropriate integration of the labor force with the means of production was ignored at the time of making employment arrangements. At present the state-operated enterprises have had 10 to 20 million more staff and workers than needed. This is a manifestation of super-integration. Therefore, how to make a reasonable arrangement of employment that enables the labor force and the means of production to maintain their adaptability is a question of crucial importance in improving labor productivity. In order to solve this question, it is necessary now and in the future that social labor productivity maintain a definite growth rate, that the overall labor productivity of industry surpass the labor force of industry in growth rate and that 60 percent or more of the growth volume of the gross industrial output value assuredly be derived from the improvement of labor productivity.

2. Establish highly efficient social labor organizations, develop employment of a prospective nature in accordance with social needs.

The magnitude of socialization of China's existing production is still not great enough, and division of labor among the specialized departments is also not adequately developed. This is a principal defect of China's labor organizations in society. It is also one of the important factors creating relatively low labor efficiency in society. Therefore, in organizing employment now and in the future, it is necessary to achieve an integration with the establishment of new and highly efficient labor organizations in society, with emphasis placed on the creation of employment opportunities in the links of the production chains in society, which requires an intensification of the division of labor among the specialized departments. Special social organizations can be created to undertake, for example, the logistical and safeguarding work of enterprises as well as the production and servicing work of a common usage. Thus, by organizing employment reasonably and by forming a new system of the division of and coordination in society, it becomes possible to reach a high level of socialization and specialization and to improve macroeconomic and microeconomic results. Moreover, it also becomes necessary to organize employment of a prospective nature in compliance with new social needs, and this may include two aspects of work: One aspect is the creation, in accordance with the needs of economic and social developments, of a new domain of employment--the development of such new trades as an information news service and a mail order service. The other aspect is the development in depth of the original categories of production and services, such as the advanced processing of products, the development of new products and an increase in the categories of production and services. Employment of this prospective nature is not only an effective way of directly expanding employment needs but also a necessary measure for insuring that employment will acquire better economic results.

3. Maintain a reasonable industrial structure and employment composition, with the emphasis on creation of employment opportunities in the sectors of light industry and social services.

The industrial structure and the employment composition resulting therefrom are important factors determining macroeconomic results and affecting the economic results of employment. Take, for example, the industrial structure. Light industry is a relatively high labor-intensive industry which provides more job opportunities and is obviously superior to heavy industry in total economic results. For instance, the average period of recouping investment in the capital construction of heavy industry is 5 years and 7 months, whereas it takes only 1 year and 10 months for light industry to recoup its capital outlay. Light industry also surpasses heavy industry by 200 percent or more in creating output value and in generating profits and taxes out of each 100 yuan of fixed assets, and in the conservation of energy, water and land, light industry possesses an obvious superiority. Therefore, to insure that light industry develops at a faster tempo and that light industry maintains an appropriate proportion in the industrial structure is beneficial not only in the creation of more jobs for people seeking employment under the condition of a shortage of funds but also in the improvement of the economic results of

of employment. In addition, a fully developed social services sector, with an expansion of the capacity of employment in this sector, is likewise an important link in the chain of enhancing social production efficiency and improving macroeconomic results. China's social services sector, in spite of the attainment of a certain degree of development in recent years, cannot as yet be regarded as having already reached a state of saturation. Moreover, social needs in this sector are steadily expanding with economic development and with the improvement in people's consumption level. For this reason, as long as economic development does not stand still, new job opportunities in the domain of social services will not vanish.

II. Adopt a Dual Structure To Maintain the National Economy's Capacity To Create Jobs While Amassing Funds for Insuring Priority Construction

Pooling funds to insure priority construction is a decision hammered out by the party Central Committee to guarantee the realization of the strategic goal of quadrupling the gross output value of industry and agriculture by the end of this century. When priority construction is carried into effect and pushed forward, the national economy of China will be founded on a sounder basic structure, thereby insuring a vigorous development of the economy in the next 10 years. This is definitely beneficial to the expansion of employment in the next 10 years and to the augmentation of some additional sureties for achieving a basic solution to the problem of employment in the cities and towns. Therefore, amassing funds for insuring priority construction is fully in line with the long-range interest of the employment of the laboring people, and it is very necessary and correct.

On the other hand, it is also necessary to realize that putting funds together to insure priority construction will have some impact on short-term arrangements for employment. This is because, first, priority construction projects generally require huge investments, need a long period of construction, yield profits slowly and can hardly expand employment and produce results in a short period of time; second, with a defined and determined amount of accumulation of national income, it is inevitable that funds for use in the short-term expansion of employment will be correspondingly reduced, after a huge amount of funds has been pumped into priority construction; third, as seen from the employment trends of today and tomorrow, the 1980's is a peak period in charting employment plans, estimating that over 45 million people will have to be given jobs in the cities and towns in the last 3 years of the Sixth 5-Year Plan and in the whole period of the Seventh 5-Year Plan and that a vast majority of the priority construction projects will still be unable to bring into play their role of providing jobs in this period of time. All this will mean specific difficulties in the issue of solving the short-term (mainly in the 1980's) employment of laboring people. Under the circumstances, in order to give simultaneous consideration to both priority construction and the current placement of a vast number of people in jobs, it is necessary that appropriate tactics be adopted, that is, that the funds earmarked for projects outside the boundary of priority construction be channeled into the economic activities which require a lower funds-labor force ratio, so that investment in the two sectors may play a mutually compensatory role in expanding employment. The channeling of funds into two different sectors may be called a principle of

dual structure. Adoption of this principle can be a guarantee against a decline in the capacity of the entire national economy to provide jobs, and it can more effectively take into account both the immediate interest and the long-term interest.

In a concrete sense, the implementation of a principle of dual structure is precisely aimed at diverting more funds from the nonpriority construction projects to the organically simple in structure and labor-intensive economic sectors, including the creation of more production and service projects which need less investment but can create more jobs, the promotion of more small-size enterprises and the development of enterprises of collective ownership not requiring state investment. Furthermore, under the condition of not affecting the quality of products and not lowering the economic results, it remains necessary to advocate that large and medium-size enterprises adopt a policy of dual technological deployment, which means that the typical, capital-intensive enterprises may adopt in some auxiliary sectors or under certain working procedures the kind of technology that generates a relatively larger capacity of employment. This principle of dual structure is needed in the immediate future. Even in the days when funds are more adequate than today, it remains necessary as well, proceeding from China's national conditions and characteristics, to focus attention on achieving a reasonable distribution of investments and on insuring an appropriate proportion between the labor-intensive economy and the capital-intensive economy. This measure is essential to a full utilization of China's reserves of labor. It is for this reason why the dual structure should be regarded not as an expedient measure but as a long-range principle of China's economic reconstruction.

III. Further Expand the Hiring Capacity of the Economy of Collective Ownership in Cities and Towns, Make Consolidation and Development of the Economy of Collective Ownership in the Cities and Towns a Focal Point of the Work on the Present and Future Employment of the Laboring People

To improve socialist productivity, it is necessary that the relations of production adaptable to the existing state of productivity be established and maintained. This involves precisely the question of making a reasonable arrangement of employment in the various economic forms and patterns. Today and in the days to come, the expanded reproduction of China's state sector of the economy tends to be basically an expanded reproduction of the intensive pattern, with funds for the renewal of equipment and for the reform of the technology of the old enterprises registering a proportionate increase, yet with funds for capital construction recording a corresponding decrease in the investment in fixed assets. This will inevitably place restrictions on the needs of the state sector of the economy for the expansion of employment. Under the circumstances, it becomes necessary to rely mainly on the development of another form of socialist public ownership--the socialist economy of collective ownership in the cities and towns--as a means of expanding employment needs and of creating job opportunities for a very large portion of the newly-grown labor force in cities and towns. Therefore, a further expansion of the employment channels of the collective economy in the cities and towns should be made a central task of our present employment of the laboring people.

At present, the collective economy in the cities and towns is still facing many problems in the course of its development. As long as the problems remain unsolved, it would be impossible for the collective economy in the cities and towns to open up a new horizon of creating jobs on a large scale. Apart from the problem of ideological cognizance, the other problems requiring an imperative solution in the collective economic organizations of the cities and towns are the blocked channels of supply and marketing; the excessively high taxes; the lack of guarantees for childbirth, old age, illness and burial arrangements; and the shortage of managerial personnel. These are all longstanding problems. The State Council in its "Temporary Provisions Governing a Number of Questions of Policy on the Economy of Collective Ownership in the Cities and Towns" promulgated in April 1983 set forth principled measures for the solution to these problems, but as we now see, the necessary deployments and arrangements and the organizational means for carrying the temporary provisions into effect are still lacking. For this reason, it is not realistic to believe that as long as there exists a promulgated document, all the longstanding and big and difficult problems impeding the consolidation and development of the collective economy in the cities and towns can be readily solved. Besides, from the standpoint of long-term development, the collective economic organizations in cities and towns must carry out today and in the days to come a necessary merger whenever conditions necessitate and permit. This merger can be a merger in the domain of production and management. It can also be a merger in the areas of insurance and welfare services and in the cultivation and training of people of talents. The merger of various forms and patterns is capable of strengthening the external competitiveness of the collective economic organizations, of facilitating a faster expansion of the magnitude of accumulation and of building up capacities of creating jobs. Therefore, the collective economic organizations in the cities and towns undergoing a process of consolidation and development should be guided onto a course of timely reorganization and merger. This will mean pushing the collective economy in the cities and towns onto a higher form of merged labor in society. And this is in line with the orientation of developing the socialist relations of production.

IV. Secure a Firm Hold on Before-job Development of the Intellect, Strive To Upgrade the Quality of Newly-grown Labor Force

Under the condition of the present production on a grand scale, the qualitative factor of the labor force has had a daily intensifying influence on the development of the economy, and the development of the intellect is a basic means of upgrading the quality of the labor force. This requires that in today's modernized construction we must put the accelerated development of the intellect in a position of paramount importance. As was pointed out recently by Comrade Deng Xiaoping: "The key to carrying the four modernizations into effect lies in the issue of knowledge.... Speaking of economic construction, energy and communications are focal points. Yet, much more important is the development of the intellect." (LIAO WANG No 7, 1983 p 8) These few words are a profound exposition of the great strategic significance of developing the intellect. Here I want to talk about the positive role the development of the intellect plays in the employment of the laboring people. This positive role finds its manifestation chiefly in the following: 1) Through the

development of the intellect, the labor force becomes capable of mastering specific knowledge and skills and creates conditions for taking up jobs. 2) Improvement in the quality of the labor force facilitates elimination of the simultaneous phenomenon of people looking for jobs and of jobs waiting to be filled, and it helps to open up new domains of employment, thus widening employment channels for the laboring people. 3) Theory and practice have shown that an intensified development of the intellect will play a repressive role in population growth. This will alleviate future employment pressure. 4) An intensified development of the intellect, which is a matter of paramount importance, may improve labor productivity and economic results. And it may propel economic growth at a faster pace. This is a main condition of expanding employment on a continuing basis. Therefore, an accelerated development of the intellect is a strategic focal point of the modern socialist construction as a whole, and more importantly it ought to be a strategic focal point of our work in the employment of the laboring people.

Today's reproduction of the labor force is a reproduction of the labor force armed with professional skills. For this reason, development of the intellect should be centered primarily on improvement of the level of the professional skills of the reserve army of labor. This requires that we energetically set in motion all types of before-job vocational and technological education and that we realize in a short period of time an objective of transforming after-job training into before-job training on an all-around basis. To achieve this task, the perfection and development of China's vocational and technological education system are a matter of top priority. Taking into account the existing situation of the state's limited financial resources, which have ruled out the possibility of a fast and huge investment in the development of the intellect and which have also ruled out the possibility of a speedy expansion of the magnitude of regular education, it is necessary to base the development of before-job vocational and technological education on the mobilization of the enthusiasm of all quarters and on the adoption of a diversified form of running schools. This is an important principle of developing the undertaking with greater, faster, better and more economical results. To insure a normal development of the before-job vocational and technological education, we must solve today a series of difficulties--funds, school buildings, teachers, teaching materials, practice sites and, most importantly, the two "hook-up" problems: one problem is to have the vocational training program hooked up properly with the employment plan, so as to avoid the aimless training of people and the creation of long-term jobless people after completion of their training; the second problem is to have the vocational training system hooked up appropriately with the employment system. In the future, all technical workers recruited should be selected and employed from among the people who have gone through special training and who have undergone professional examination and assessment. The practices of "internal recruitment" and "internal placement" should be resolutely abolished. Meanwhile, job training must also emphasize the ideological rebuilding of the reserve army of labor, which includes educating the young people with patriotism and occupational morality, imbuing them with a new consciousness of taking up jobs and building up a spirit of standing on one's own feet to start an undertaking. All these should be made a required course of study for people taking before-job training.

V. Accelerate the Pace of the Labor System Reform, Strengthen the Construction of the Labor Service Company

In the immediate future, a central issue of the reform of China's labor system remains one of how to shatter the "iron rice bowls" and realize a reasonable mobility of the labor force. The evil of the "iron rice bowls" has been discussed and spoken about at great length in recent years, and there is no need for me to repeat it here. To sum up, the labor system of the "iron rice bowls" and the traditional ideas arising therefrom are precisely a disease impeding the birth of a new horizon for the employment of the laboring people. If this system and the traditional ideas are not destroyed thoroughly and completely, it would be impossible for our work on the employment of the laboring people to accomplish the current strategic transformation smoothly. Therefore, we must make reform of the labor system a key issue of urgency to be grasped.

At present, the reform of the labor system must start in the following two areas: one is reform of the labor employment system, the other is reform of the enterprise worker hiring system. A basic orientation of the reform of the labor employment system is the gradual implementation of a labor preparatory system, the contents of which will not be dealt with in detail here, as I have already presented an introduction to the contents in other newspapers and journals. Meanwhile, the enterprise system of hiring workers must also change its course gradually and make contract workers play a key role, so as to achieve step-by-step a mobility of the labor force. A labor preparatory system and a contract workers system, when mutually coordinated, may enliven the entire labor system, and enable it to meet the needs of production and of economic development.

In order to realize the aforementioned idea of reforming the labor system and to achieve a gradual abolition of the "iron rice bowls," it is necessary to establish a type of social organization which in accordance with the needs of production and construction undertakings is capable of organizing and training as well as taking in and sending out the labor force temporarily drifting away from the production processes of the society. Without this type of social organization possessing such functions and powers, we shall lose social guarantees in the course of carrying out a complete and thorough reform of the labor system. As is shown in the present state of affairs, this type of social organization will grow out of the existing foundation of the labor service companies. Therefore, in order to make a fundamental reform of the labor system of the "iron rice bowls," we must strive to bring about a perfection and strengthening of the labor service companies.

Within a shorter period of time we must strive to build the labor service companies at all levels into an axis for regulating the labor force in society. This is a matter of great significance in the improvement of economic results and the enhancement of a solution to the issue of employment of the laboring people. Today, China's labor service companies have already grown to a fairly impressive magnitude. It is on this basis that the labor service companies must implement a horizontal and vertical development. By horizontal development is meant an increase in the functions and powers of the labor service companies are undertaking today is basically work within the sphere of a

primary redistribution of the labor force, that is, they are responsible for organizing the employment of the newly-grown labor force. In the future, we must also exercise control over the labor force that is going through a stage of changeover in jobs after employment. This is work within the sphere of the redistribution of the labor force. Functions and powers in this field are magnified to meet the needs of a thorough and complete reform of the labor system. By vertical development is meant an expansion and deepening of the existing social functions and powers. In improving social services, for instance, we may consider ways and means of accelerating a social merger of the enterprise livelihood service and the staff-workers household chores into one organic whole; in the area of training, we may increase appropriately some high-grade production work and step up technological training, not limiting our training objectives to the unemployed young people only. The labor service companies, generally speaking, are very promising undertakings that have an unlimited prospect of development.

VI. Place on Agenda the Task of Solving the Question of the Employment of the Rural Laboring People. This Is an Important Step Leading to China's Realization of Full Employment

The question of the employment of China's rural laboring people is manifested principally in the fact that agricultural production itself cannot absorb the entire agricultural labor force and that this has resulted in the creation of a huge surplus of agricultural labor. In a previous period, when the question of the employment of the laboring people in the cities and towns was bearing the brunt, the people neglected for a while the question of the employment of the rural laboring people. As a matter of fact, there has existed in China's rural areas a similar situation of supply exceeding demand in the labor force, and the only difference is that unemployment in the rural areas manifests itself quite differently than it does in the cities and towns. It is manifested in underemployment of a big dimension, that is, potential unemployment. Therefore, in order truly to reach the goal of full employment, we must break away from our past practice of confining the question of employment to a narrow field of vision covering only cities and towns. We must take a serious look at the question of the employment of the laboring people in rural areas.

To achieve a smooth and large-scale exodus of China's surplus agricultural labor force to the other economic sectors, adoption of the following strategic countermeasures is necessary:

1. Adhere firmly to a simultaneous development of farming, forestry, animal husbandry, sideline production and fishery; improve the level of the intensification of labor; develop energetically production of a prospective nature; and focus attention on expansion of the labor accumulation of agriculture.

A solution to the question of the surplus labor force of agriculture lies not merely in racking one's brain within the limited land under cultivation but essentially in securing a firm hold on the farming industry and in pushing forward the development of forestry, animal husbandry, sideline production and fishery. Only by perseveringly and unswervingly developing this type of "grand agriculture" can the agricultural needs for labor remain at a relatively

higher level. In the farming industry, we must carry into effect intensive and meticulous farming, devote a lot of time and energy to scientific farming and rely on the intensification of labor as a means of increasing the per-unit area yield and the total output of crops. In addition, specific emphasis should be placed on developing the production of a prospective nature in the rural areas and on expanding the accumulation of labor--such as creating arable land out of reclaimed wasteland, cutting into mountains for afforestation, breeding and cultivating on beaches and building water conservation projects--which are powerful means of creating new outlets of employment. With the above tasks properly grasped, it becomes possible to accommodate as much of the labor force as possible within the sphere of grand agriculture, thus reducing correspondingly the exodus of the surplus labor force to the nonagricultural sectors.

2. Further develop commune-brigade enterprises and realize a comprehensive development of the rural areas.

The enterprises run by communes and brigades in the rural areas are the principal places for an on-the-spot absorption and digestion of the surplus agricultural labor force. In the days to come, we must resolutely help and support the development of the commune-brigade enterprises in the rural areas, otherwise it would be impossible to achieve an on-the-spot transfer of the surplus agricultural labor force. To this end, the state must consider giving the commune-brigade enterprises greater support, such as following the commune-brigade enterprises to run a vast portion of the industries that process agricultural products and some of the industries that produce agricultural implements or entrusting the commune-brigade enterprises with the primary processing of some products and the enterprises in the cities and towns with advanced processing. Moreover, as many of the rural businesses and the transportation industry as well as the construction industry and the service industry, as possible, should be transferred to the commune-brigade enterprises for management. This is the only means of promoting a speedy development of the nonagricultural sectors in the rural areas and of finding an outlet for the huge surplus labor force of agriculture. Moving along this line may appear to have some impact on state revenues, but it costs the state less money than sending all this surplus labor force into the cities for employment. A look at China's situation shows that today and over a relatively long period of time in the future the commune-brigade enterprises in the rural areas must engage mainly in economic activities of the labor-intensive pattern. This is an important principle of making full use of the rural labor resources with a shortage of funds.

3. Vigorously develop small cities and towns and use them as a primary ladder for the transfer of a portion of the rural surplus labor force to the cities and towns.

By implementation of an on-the-spot exodus of the surplus agricultural labor force we mean at the same time an on-the-spot construction of small cities and towns to accommodate the surplus labor force. This is a main avenue that leads to the transformation of China's village population into a city-town population in the future. To meet this situation, cities and towns in China

must form a pyramid, with small cities and towns scattering all over the country and constituting a foundation of the system of cities and towns as a whole. Thus, a vast portion of the village population will stay at the first step of the ladder and transform itself into a population of small cities and towns, without aggravating the population pressure on the large and medium-size cities. At present, a more simple and feasible formula of starting construction of small cities and towns is to let them grow and develop at the existing foundation of rural market towns. In addition, small cities and towns may also be established according to plan in the remote areas, thereby creating conditions for a regional mobility of the labor force. This facilitates improvement of the regional distribution of the labor force and steps up development tasks in the remote areas.

4. Place the work of developing the rural intellect in a position of importance.

The transfer of the surplus agricultural labor force to the other industrial sectors is not a horizontal flow of the labor force on the same cultural and technological level. It is a flow of the labor force from a sector requiring a lower level of culture and technology to a sector requiring a higher level of culture and technology, that is, a vertical flow of the labor force, which must keep pace with improvements in the quality of the labor force. The existing quality of China's labor force in the rural areas is in general suitable only for participation in simple manual labor. It can hardly meet the needs of large-scale production in society. A large-scale transfer of the surplus agricultural labor force, if carried into effect under this condition, cannot achieve substantial results and may impede the normal growth of the other industrial sectors because of a qualitative lowering of the labor force. Therefore, only by stepping up development of the intellect to improve significantly the quality of China's labor force in the rural areas can we achieve a smooth transfer of the surplus agricultural labor force. Today, in intensifying the development of the rural intellect, we must increase investments in the rural intellect. A solution to this question lies not in fully relying on the state but in encouraging the peasants to pool funds for running schools. If in the future a large number of the rural elementary schools are financed and run by the peasants, the state would be able to amass financial resources for developing secondary school education in the rural areas, particularly vocational and technological education of all descriptions. One may envisage that we shall strive to establish in the days ahead one vocational-technological center in each commune or brigade for conducting a more systematic professional training of the rural labor force and for creating the conditions for transferring the rural labor force to the other industrial sectors. To sum up, the development of the resources of the rural intellect and the improvement of the composition of the rural intellect are an event of strategic significance that should be grasped earnestly and efficiently.

The question of the surplus agricultural labor force is one of overall importance. It just will not work to rely only on the strength of rural communes and brigades for a solution to this question. It is therefore necessary that macro-guidance on this aspect of work be intensified and that unified planning and all-around arrangements be started from the height of the economic

development strategy as a whole. This is an essential condition for achieving a smooth solution to the question of the employment of labor force in the rural areas.

Besides the aforementioned six points, control over population growth is also a strategic measure to be taken into account in realizing full employment. Much has been said about this point, and so a special elucidation is not necessary. In short, if this seven-point issue of basic strategy could be properly administered, the goal of realizing full employment in China would be successfully reached.

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AGGREGATE ECONOMIC DATA

STATE STATISTICAL BUREAU DATA ON NATIONAL ECONOMY

Beijing ZHONGGUO JINGJI JIBAO [CHINA ECONOMIC QUARTERLY] in Chinese No 4,
15 Dec 83 pp 1-3

[Statistical Data of the National Economy Issued by the State Statistical
Bureau on Conditions of Production in Industry and Transportation in the
First Three Quarters of 1983]

Conditions of Production in Industry and Transportation in First Three
Quarters of 1983

Item	Unit	Actual amount	Percentage of plan completed	Increase over same period last year (percent)
I. Gross value of	100 million			
industrial output	yuan	4,503.6	78.2	10.1
of which: Light industry	"	2,208.1	75.8	7.5
Heavy industry	"	2,295.5	80.7	12.7
of which: State-owned	"	3,485.4		9.1
Collective-owned	"	1,018.2		13.5
II. Major products output				
Bicycles	10,000	2,002.09	79.1	15.8
Sewing machines	"	811.24	62.4	-14.2
Watches	"	2,613.2	77.1	8.8
TV sets	"	442.84	87.5	7.7
including color TV	"	24.16	75.0	37.5
Radio sets	"	1,367.27	65.1	1.0
Recorders	"	327.69	141.2	62.2
Household laundry machines	"	267.47	78.7	45.9
Cameras	"	69.90	86.3	7.5
Electric fans	"	791.81		8.6
Household refrigerators	set	130.685		88.8
Chemical fiber	10,000 tons	38.78	83.0	-1.1
of which: synthetic fiber	"	28.67	87.4	1.1

Item	Unit	Actual amount	Percentage of plan completed	Increase over same period last year (percent)
Cotton yarn	10,000 tons	249.20	75.8	-1.8
	10,000 bales	1,386.8		
Fabric	100 million	112.44	78.6	-0.7
of which:	meters			
chemical fabric	"	37.87	72.6	5.3
Silk	10,000 tons	2.70	82.6	0.4
Silk textiles	100 million m	7.15	89.4	4.7
Woolen piece goods	10,000 meters	10,051.3	82.3	8.7
Knitting wool	10,000 tons	7.35	90.7	11.0
Leather shoes	10,000 pairs	12,687	70.5	-4.0
Sugar	10,000 tons	273.14	73.8	17.3
Salt	"	1,252.5	82.9	-3.7
Cured tobacco	10,000 cases	1,327.2	79.5	0.7
Beer	10,000 tons	131.19	92.4	42.7
Machine-made paper and paperboards	"	470.44	87.1	9.8
Detergents	"	53.61	89.4	20.5
Aluminum wares for daily use	tons	48,448	89.7	10.5
Porcelain wares for daily use	100 millions	25.98	73.8	-3.5
Plasticwares for daily use	10,000 tons	135.40	91.5	17.0
Lightbulbs	100 million	9.12	92.4	15.5
Coal	10,000 tons	51,130.3	76.3	6.7
Crude oil	"	7,886.6	78.9	3.4
Gasoline	"	930.6	88.2	9.6
Diesel oil	"	1,420.5	87.1	7.1
Natural gas	100 million m ³	91.23	82.9	4.4
Electricity	100 million kWh	2,580.2	76.3	7.0
of which:				
hydroelectricity	"	641.8	94.4	19.1
Pig iron	10,000 tons	2,790.8	83.1	5.9
Copper	"	2,967.5	83.6	7.8
Rolled steel	"	2,275.74	85.2	5.3
of which:				
heavy rails	"	51.18		6.4
light rails	"	18.51		9.4
large-size rolled steel	"	47.11		-36.6
medium-size " "	"	199.92		-10.4
small-size " "	"	541.96		7.0
fine-quality shaped "	"	218.66		21.2
steel plates of				
medium thickness	"	292.78		8.4
silicon steel plates	"	33.51		33.4

Item	Unit	Actual Amount	Percentage of plan completed	Increase over same period last year (percent)
steel belt	10,000 tons	61.02		-0.4
seamless steel pipe	"	86.90		18.2
welded steel pipe	"	115.59		4.4
Coke (machine-made)	"	2,552.72	80.6	3.4
Sulphuric acid	"	639.22	79.9	5.7
Soda ash	"	132.26	77.8	3.0
Caustic soda	"	158.80	79.4	3.6
Ethylene	"	47.42	76.5	24.8
Calcium carbide	"	132.14	88.1	10.7
Synthetic ammonia	"	1,237.34	82.5	7.8
Chemical fertilizer	"	1,047.02	83.4	7.6
of which:				
nitrogenous fertilizer	"	823.64	83.0	7.4
phosphate fertilizer	"	219.72	84.5	7.8
Chemical insecticides	"	27.40	62.3	-23.5
Synthetic rubber	"	12.36	85.2	31.6
Wheel outer tires	10,000	943.62	124.2	46.2
Plastics	10,000 tons	82.30	85.7	13.4
Timber*	10,000 m ³	1,653		4.3
Cement	10,000 tons	7,795.8	84.7	13.5
Plate glass	10,000 stan-			
	dard cases	3,001.48	88.3	16.2
Mining equipment	10,000 tons	15.17		49.3
Metallurgical equipment	"	2.66		3.5
Power generating "	10,000 kW	127.75	51.1	39.6
Metal cutters	10,000 sets	8.93	95.4	21.5
Motor vehicles	10,000	17.95	98.6	22.1
of which: trucks	"	11.32		7.4
tractors	"	3.06	61.2	-14.5
Walking tractors	"	36.82	147.3	61.7
Locomotives	unit	455	82.7	21.3
Passenger cars	"	975	79.9	12.1
Freight cars	"	11,730	65.2	47.2
Civilian steel merchant ships	10,000 tons	71.67	62.5	52.1
III. Communications and Transportation				
Volume of railway passenger traffic	100 million tons	8.65	77.3	4.1
Volume of railway freight traffic	100 million persons	7.93	81.7	6.9

*Figure for timber supply is for the Northeast and Nei Monggol forestry area.

AGGREGATE ECONOMIC DATA

CHINA'S INDUSTRIAL PRODUCTION IN FEBRUARY

Beijing JINGJI RIBAO in Chinese 24 Mar 84 p 2

[Text] Major Statistics of China's Industrial Production, Communication and Transportation in February, 1984

(Figures supplied by State Statistical Bureau)

Item	Unit	Jan-Feb 1984	Feb 1984	Jan-Feb 1984, percentage compared to same period 1983
Total industrial production value	100 million yuan	979.47	460.89	112.0
Light industries	"	492.09	227.76	111.7
Heavy industries	"	487.38	233.13	112.2
Bicycles	10,000 units	429.50	194.40	107.7
Sewing machines	"	152.61	67.38	85.5
Wristwatches	"	541.13	251.42	99.3
Televisions	10,000 sets	127.38	57.95	143.7
Radios	"	428.39	210.27	170.3
Recorders	"	76.00	34.18	131.1
Household washing machines	10,000 units	62.42	30.00	141.4
Cameras	"	16.32	7.99	129.4
Electric fans	"	165.99	80.27	148.0
Household refrigerators	Units	45,321	21,030	222.6
Synthetic fabrics	10,000 tons	11.02	5.37	156.8
Yarn	"	47.78	22.70	95.5
Cloth	100 million m	20.35	9.69	91.8
of which: synthetic fabrics	"	8.17	3.88	148.5
Silk fabrics	"	1.54	0.75	117.6
Woollen cloth	10,000 meters	2,290	1,068	125.3
Knitting wool	10,000 tons	1.62	0.77	118.2
Sugar	"	178.46	87.61	107.9
Crude salt	"	62.9	30.3	135.6
Cigarettes	10,000 boxes	317.4	131.0	98.6
Beer	10,000 tons	17.11	8.22	130.9
Machine-made paper and boxboard	"	96.46	48.02	111.7

Item	Unit	Jan-Feb		Jan-Feb 1984, percentage compared to same period 1983
		1984	Feb 1984	
Lightbulbs	100 million	2.05	0.98	113.5
Raw coal	10,000 tons	10,878.2	4,997.1	106.7
Crude oil	"	1,803	870.3	106.7
Natural gas	100 million m ³	20.20	9.62	101.8
Electric power	100 million kWh	580.1	279.3	108.4
of which: hydroelec- tric power	"	105.2	50.1	104.2
Pig iron	10,000 tons	636.9	310.2	109.1
Steel	"	688.0	339.0	109.7
Steel products	"	523.61	262.38	108.9
Coke (machine made)	"	574.21	278.25	106.5
Sulphuric acid	"	134.07	66.51	98.3
Soda ash	"	31.95	15.45	109.3
Caustic soda	"	34.63	17.11	100.8
Chemical fertilizers	"	228.65	118.21	106.6
Chemical pharmaceuticals	"	0.82	0.43	118.5
Chemical pesticides	"	4.82	2.60	61.9
Cement	"	1,581.1	801.1	110.4
Plate glass	10,000 stan- dard cases	716.63	359.41	110.0
Power generating equipment	10,000 kW	9.60	5.37	65.7
Metal cutting machine tools	10,000 units	1.82	0.86	113.0
Automobiles	10,000 vehicles	3.99	1.78	122.4
Walking tractors	10,000 units	8.41	3.61	140.4
Locomotives	Units	94	41	77.7
Railway freight	100 million tons	1.91	0.94	105.1
Freight carried by ships under Ministry of Communications	"	0.25	0.12	108.6

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ECONOMIC MANAGEMENT

CHANGES IN TECHNICAL TRANSFORMATION INVESTMENT STRUCTURE

Beijing ZHONGGUO JINGJI JIBAO [CHINA ECONOMIC QUARTERLY] in Chinese No 4,
15 Dec 83 p 25

[Article by the Department in Charge of Statistics on Fixed Asset Investments under the State Statistical Bureau: "Changes in the Structure of Investments in Technical Transformation in the First 3 Quarters of 1983"]

[Text] In the first three quarters of this year, the investment in technical transformation for the state-owned enterprises amounted to 15.9 billion yuan, being 66.3 percent of the planned amount of 24 billion yuan.

In planning for their renovation and transformation projects, all departments and regions have paid attention to the improvement of quality, the increase in varieties and designs, the reduction of consumption and the attainment of better economic results. These measures have improved the orientation and changed the structure of investments.

1. The proportion of investment in energy industry, among all industrial branches, was on the rise. The investment in the industrial branches during the first three quarters totaled 11.85 billion yuan, being 74.5 percent of the total investment and 4.2 percent higher than in last year. This amount included 4.86 billion yuan, or 30.5 percent of the total investment used and a 5.4 percent increase over last year, for the coal, petroleum and electric power industries of the energy branch. However, there was a slight drop in the proportion of investment in the transportation and the posts and telecommunications department.

2. Of the investment required for the function of various completed projects, the proportion used for increasing the varieties and improving the quality of products was on the rise. In the first three quarters, the investment used on productive construction was 12.92 billion yuan, being 81.2 percent of the total investment and a 0.4 percent increase over last year. Out of this amount, 1.4 billion yuan, being 8.8 percent of the total investment used and a 3.4 percent increase over last year, was spent on increasing the varieties of products; 720 million yuan, being 4.5 percent of the total investment used and a 0.5 percent increase over last year, was spent on improving the quality of products; 740 million yuan, being 4.6 percent of the total investment and a 0.3 percent drop below last year's, was spent

on saving energy and raw materials; and 6.06 billion yuan, being 38.1 percent of the total investment and a 1.4 percent drop below last year's, was spent on increasing the output of products.

The amount of investment in nonproductive construction amounted to 2.98 billion yuan, being 18.8 percent of the total investment used and a slight drop below last year's. The proportion of investment in housing accounted for 10 percent of the total amount, about the same as last year.

3. In terms of the nature of construction, the proportion of investment in projects of a renovative and transforming nature was on the rise. In the first three quarters of the year, the investment in projects for renovation and technical transformation totaled 9.15 billion yuan, being 57.6 percent of the total investment used and an 1.8 percent increase over last year. The investment in projects for the purpose of expansion amounted to 5.24 billion yuan, being 33 percent of the total investment used and a 3.2 percent increase over last year. The investment in new projects amounted to 5 percent, a slight drop below last year's.

Despite some improvement in the investment structure, there were still some problems deserving our attention. In the use of funds on renovation and technical transformation, we did not truly give prominence to "intensiveness" as shown in the following: First, the proportion of investment in expansion projects is still fairly high, up to 33 percent. Second, the funds used on the improvement of quality, reduction of consumption, increase in varieties, and attainment of better economic results amounted to 2.86 billion yuan, only 17.9 percent of the total investment used and less than one-half of the investment in projects for increasing output. Third, the proportion of investment in construction projects was fairly high. In the first three quarters, the investment in construction and installation projects amounted to 10.04 billion yuan, being 63.2 percent of the total investment used and a 4.2 percent increase over last year. The investment in equipment, tools and appliances intended for renovation amounted to 5.25 billion yuan, only 33 percent of the whole amount. The overwhelmingly major portion of investment in construction and installation projects was used on construction, while the portion for installation (excluding the value of the equipment installed) was very small. This was fairly far off the goal as set according to state regulations which provide that the investment in construction projects generally cannot exceed 20 percent of the total investment. All these problems should be further studied and solved.

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CSO: 4006/396

FINANCE AND BANKING

MONETARY POLICY, CURRENCY CIRCULATION DISCUSSED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 2, 4 Feb 84 pp 47-49

[Article by Zhang Da [1728 6671] and Jia Jiesan [6328 2638 0005]: "An Understanding of China's Monetary Policy"]

[Text] China's monetary policy is a policy for the state to achieve a certain economic target by organizing and regulating the currency circulation. It is a major part of China's economic policy.

I. Issue Concerning the Target of Monetary Policy

A monetary policy should consist of 1) a target and 2) measures and means. Generally, the target of China's monetary policy is to accelerate the development of the socialist economy and guarantee the improvement of the people's living standard. It is a basic criterion for judging the success or failure of China's monetary policy. Specifically, monetary policy should be subject to economic targets set by the party and the state for different time periods.

Regarding the issue of the target of monetary policy, China's theoretical circles tend to consider stabilizing currency and developing the economy as the "dual target" of China's monetary policy. We think that under the condition that the relationship exists between commodities and currency, currency and circulation undoubtedly have an important position and role in the whole economic movement. However, currency circulation is always generated and serves the production and circulation of commodities. Although it can accelerate or hinder economic development, the currency circulation situation itself should not be considered a target of economic development. The currency stabilization is, in essence, a means or condition for fulfilling economic targets. As it is a basic demand made by the party and the state on the work of organizing and regulating currency circulation, it is also a major content of the monetary policy. Therefore, China's monetary policy may also be referred to as a policy to stabilize currency. In this sense, stabilizing currency can also be considered a target. However, it can only be considered an intermediate target, not a target equivalent to an economic target. Otherwise, currency would be stabilized just for the sake of stabilization. Therefore, China's monetary policy should consist of 1) an economic target; 2) an intermediate target; and 3) measures and means.

II. Issue Concerning Currency Stabilization

China has consistently adhered to a monetary policy to stabilize currency. Stabilizing currency means precisely maintaining stability and normality in the currency circulation. Stability refers to the stable value of currency. Normality refers to the normal money supply needed for economic development.

A basic way to stabilize currency is to control and regulate the money supply. With a developed credit system, the volume of the money supply is not limited just to cash. It must include savings deposits. This is because along with the development of the socialist economy and establishment of various management systems, currency circulation through transferring and settling accounts has expanded. Under this situation, if we only pay attention to controlling and regulating the cash supply, we cannot satisfy the demand for stabilizing currency. As a matter of fact, the excessive money supply which occurred on different occasions in the past few years in China indicates not only a short supply of the means of consumption but also a short supply of the means of production. This explains why it is necessary to exercise overall control and regulation of currency circulation. However, this should by no means be a cause for ignoring or relaxing control and regulation of cash circulation.

What is the standard for controlling and regulating the money supply? Theoretically, it is to adapt the money supply to the amount of money needed in commodity circulation in accordance with the demand of the law of currency circulation. When practicing control and regulation of the cash supply on the market, we discovered a standard referred to as "4, 5 and 8" for the money supply. In other words, for every yuan in circulation, there should be 4 yuan worth of purchases in farm and sideline products, namely 1:4; and 5 yuan of commodity stock, namely 1:5; and 8 yuan worth of commodity retail sales, namely 1:8. This is to use the ratio of a normal year to judge the normality of cash circulation on the market in other years. This method has a theoretical basis and is easy to use. Therefore, it has been gladly accepted and used for many years. In the past few years, the ratio between the average amount of money supply and the total value of commodity retail sales has constantly declined, and the situation of currency circulation is deteriorating (but in fact it is getting better).

Therefore, some comrades begin to doubt this method. They suggest abandoning it. We think we need to conduct a concrete analysis of the issue concerning the rate of currency circulation. The rate of currency circulation is affected by many factors. Examples given by Marx are the general nature of the mode of production, the population, the regulation between urban and rural areas, the development of transportation, the degree of specialization and credit. The mechanism of these factors is progressive. Some offset others. This keeps the rate of currency circulation relatively stable. Therefore, it is feasible to use the rate of a normal year in a given period as a standard for judging the circulation situation of paper money in other years.

However, the rate of currency circulation is relatively stable. It changes whenever drastic changes occur in social and economic conditions that affect

it. When such changes occur, we should pay attention to distinguishing between two kinds of influences: One is caused by objective economic conditions; the other, by the paper money supply. Factors that caused the slowing down of the currency circulation in the past few years in China can be divided into two main categories: One is an increase in the amount of money held in a concentrated manner; the other is an increase in the amount of money held in a scattered manner. The first category means that the amount of money held by every moneyholder (including individuals, households and units) has increased. This includes the following situations: 1) Consumers have more money on hand because commodities are in short supply and they cannot buy what they want; 2) consumers need more money on hand because commodity prices have increased; and 3) consumers have a larger amount of money on hand because of the changes in the commodity mix which need to be traded in cash. For example, residents' demands for high-grade commodities has increased; peasants' expenses in purchasing the means of production have increased; and units have broadened the range of cash utilization. The second category means that the amount of money held by consumers has increased as a result of an increase in the number of moneyholders. This numerical increase is caused by the growth of population and employment, the separation of households as well as the increase and expansion of production, circulation and service units generated by the reform of the system. Among all the factors that caused the slowing down of currency circulation, only the first two factors under the first category can be attributed to an excess supply of paper money. Judged by the current situation that most commodities are in abundance and commodity prices are beginning to stabilize, these factors should be very insignificant. The other factors are all new factors created by changes in objective economic conditions. They are main causes of the reduction in the rate of currency circulation. Therefore, we believe that the slowing down of currency circulation in the past few years is a normal phenomenon that the old rate is changing into a new rate when drastic changes occur in objective economic conditions. This new rate will be stabilized within a certain period. We should study this new rate in light of changes of the situation that have occurred in the past few years and choose a new standard for judging the normality of the cash supply on the market in the future. We should not abandon this method while the rate is changing. We should, of course, improve its weakness. For example, consideration should be given to the factor of price changes. When the ratio of a certain year is chosen as a standard, the price index of this year should be considered a base period, and the constant price of this base year should be used to calculate total commodity sales in cash when judging the ratio of another year.

The stability of the currency is relative to a certain degree. In other words, currency can only be basically stabilized. It is a dynamic concept and is carried out in the range of the whole society. It is affected by many respects of the social and economic life. It also affects many respects of the social and economic life. Therefore, it is impossible to maintain an absolute equilibrium between currency circulation and economic development.

Currency circulation is allowed to have a certain amount of flexibility. As long as we have a correct guiding ideology in economic construction, adhere to a monetary policy designed to stabilize the currency and adopt correct measures, we can keep currency circulation basically normal and stable. Even if it becomes abnormal and unstable during a certain period of time, it will not be difficult to discover and correct it. Since the founding of the PRC, currency circulation has become abnormal on several occasions, but it has been corrected every time. There has never been serious inflation in China, because China has always adhered to a monetary policy designed to stabilize the currency.

In the past few years, China achieved economic growth when the money supply was excessive. Does this mean that China implemented a controlled inflation policy? We think the answer is no. China adhered to a policy to stabilize the currency in the past few years. However, China's monetary policy has gained a new characteristic in the present economic readjustment. In the early 1960's readjustment, confronted by excessive money supply, China adopted coercive measures to reduce the money supply. Thus, by 1963 the balance of bank credits had declined 40 percent and state expenditures had declined 48 percent compared to 1960. This measure quickly stabilized market prices, but it also restrained production growth. The national income of 1962 and 1963 showed a market decline compared with previous years. We believe that in readjusting the dislocation of the economy, we should always restrain some departments, trades and professions while developing others. Some localities may be overstocked with commodities and materials. Others may suffer from a shortage. If the money supply for all departments is reduced without exception, those departments, trades and professions which should be developed will also be restrained. This makes it impossible to eliminate overstocking in other departments, and this restricts the growth of the whole economy. In the present economic readjustment, China has drawn lessons from the past. In carrying out a monetary policy to stabilize the currency, China first of all set a clear objective; that is, to readjust the economy while maintaining a certain economic growth rate. The methods it adopted to fulfill this objective are also different from the past. This time, the excessive money supply is not reduced by coercive measures; nor is it reduced in all departments without exception. Instead, the money supply is tightened as well as loosened on the prerequisite that the money supply in total is reduced. In other words, based on the national demand of economic readjustment, the money supply is tightened when it should be and loosened when it should be. For example, the money supply should be tightened to reduce the scale of capital construction, slow down the growth rate of heavy industry, and close, suspend, merge and retool those enterprises whose management is poor, products are unmarketable and economic results are poor. The money supply should be properly loosened to accelerate development of agriculture, light and textile industries and energy and communications undertakings, to expand those enterprises which provide products needed by society and have good economic results, to help eliminate overstocking, to increase employment and to improve people's living standards. By doing so, on the one hand, China can gradually normalize the situation of excessive money supply; on the other hand, it can invigorate the economy, develop the

national economy in the economic readjustment, and increase employment and the real income of the people. This explains why China has been successful in its monetary policy; not because it has adopted a controlled inflation policy, but because it has established a clear objective for its policy and adopted correct measures to enact a policy designed to stabilize currency.

III. Issue Concerning the Measures and Means of the Policy

The following measures should be adopted to carry out a monetary policy designed to stabilize the currency:

1. Control and regulate the total money supply. By tightening and loosening the credit supply, the total money supply can be effectively controlled and regulated. However, merely relying on bank credits is not enough. We should also rely on state revenue. The situation of state revenue and expenditures has a great impact on currency circulation. We should achieve a balance between state revenue and expenditures with a little surplus. Particular efforts should be made to do a good job in controlling the ratio between accumulation and consumption and the scale of capital construction to guarantee the implementation of the policy designed to stabilize currency. While controlling and regulating the money supply, it is also extremely necessary to strengthen the control and regulation of the cash supply. We should control the range of cash utilization by conducting the management of cash supply and the supervision of wage funds.
2. Readjust the distribution of the money supply among different sectors of the national economy. When banks loosen or tighten the supply of loans or increase or reduce the money supply for certain departments, trades and professions, banks are actually increasing or reducing the distribution of social labor in these departments, thereby affecting the expansion or reduction of their production. In accordance with state economic policies and economic plans, banks should adopt a clear credit policy as well as a clear direction in which funds among different departments to help them gradually rationalize the proportion among them. However, among the monetary funds deposited in banks, only those relatively stable funds can be controlled and readjusted by banks. There are considerable amounts of monetary funds over which banks have limited control. Revenue savings deposits funds are an example. To which direction these funds should be distributed is decided completely by financial policy, and they are also controlled and issued by financial departments. Therefore, it is necessary to bring into play the role of state revenue in readjusting the distribution of the money supply among different departments. For another example, extra-budgetary funds are mostly deposited in banks. These monetary funds are controlled by localities and enterprises. They are unstable. Banks have limited ability to readjust it. We contend that the state should make some rules for controlling such funds. For example, a portion of extra-budgetary funds must be used to supplement the circulating funds and the renovation and transformation funds of enterprises. Extra-budgetary funds invested in fixed assets must be included in state plans. Efforts should also be made to adopt some economic means to control and funnel such funds.

For example, banks can engage units paying high interest in opening time deposit accounts. It is feasible for financial departments to issue state treasury bonds. We can also consider levying taxes on fixed-asset investment to control the direction and scale of extra-budgetary funds invested in this field.

3. Improve the quality of currency circulation. The quality of currency circulation refers to the economic results resulting from currency circulation when currency is circulated as monetary funds. A large portion of currency is circulated in the form of monetary funds. Currency circulation includes the pure circulation of currency and the movement of monetary funds. Currency in the hands of consumers (including individuals and units) and used for living expenses belongs to the pure circulation of currency. Currency in the hands of producers (including individuals and units) and used for the costs of production belongs to the movement of monetary funds. The pure circulation of currency cannot create economic results; neither can the movement of monetary funds. But the latter can prepare necessary conditions for creating economic results. Therefore, it has potential economic results. The better the economic results created by the supply of monetary funds, the more possible it is to increase production, reduce investment and create better conditions for the withdrawal of currency from circulation. In the past few years, when issuing loans, banks have adhered to the principle of handling different cases in different ways, supporting those with good conditions and making orders according to sales. They have managed loans based on capital turnover rates. They have produced floating interest rates. In the supply of monetary funds, they have given priority and preferential treatment to those enterprises with quick capital turnover and good economic results. These practices are all helpful to the improvement of currency circulation and the stabilization of currency.

12302

CSO: 4006/369

FINANCE AND BANKING

ANALYSIS OF SHAANXI COUNTIES RECEIVING FINANCIAL SUBSIDIES

Xian SHAANXI RIBAO in Chinese 16 Feb 84 p 1

[Article by Ge Tao [5514 3447]: "It Is Imperative To Change the Face of the Counties Receiving Financial Subsidies"]

[Text] Under the guidance of the line, principles and policies of the party Central Committee, the situation on all fronts in our province is very good. As to financing, after the revenue had stopped decreasing in 1982, there was a relatively big increase in 1983. But the majority of the counties in our province have been living on financial subsidies from the higher authorities for a long time. It has become a major problem in the financial and economic work in our province.

I.

If the financial income of a county (subtracting the depreciation fund turned over to the higher authorities) cannot cover normal expenditures and subsidies from the higher authorities are needed, it is called a county receiving financial subsidies. These normal expenditures refer to staff salaries and the essential operating expenses of the administrative units. That is to say, a county is considered to be receiving financial subsidies if, after deducting production related expenses such as capital construction allocations, enterprise renewal investments, grants for county-run "five smalls" operations, fees for ordinary construction, circulating funds, funds for small-scale agricultural waterworks, etc. and natural disaster relief funds, the income of the county cannot meet normal operating expenses. In 1982, there were 73 counties in our province receiving financial subsidies. The total amount needed was more than 290 million yuan. There were seven counties in Baoji City, namely, Taibai, Lingyou, Longxian, Qianyang, Wugong, Fufong and Fengxian; the subsidy was 15.38 million yuan. There were five counties in Weinan Prefecture, namely, Lantian, Dongguan, Chengcheng, Baishui and Heyang; the subsidy was 11.09 million yuan. There were 10 counties in Xianyang Prefecture, namely, Shanyuan, Jinyang, Zhouzhi, Gaolin, Qianxian, Liquan, Yongshou, Changwu, Xunyi and Zhunhua; the subsidy was 35.84 million yuan. There were nine counties in Hangzhong Prefecture, namely, Ningqiang, Zhengba, Xixiang, Yangxian, Liuba, Foping, Nanzheng, Lueyang and Mianxian; the subsidy was 28.78 million yuan. There were 10 counties in Ankang Prefecture, namely, Ankang, Langao, Hanyin, Shiquan, Ningshan, Ziyang, Pingli, Zhenping, Xunyang and Baihe; the subsidy was 37.18 million yuan. There were seven counties in

Shangluo Prefecture, namely, Shangxian, Luonan, Shanyang, Danfeng, Shangnan, Zhenan and Zhashui; the subsidy was 43.47 million yuan. There were 13 counties in Yanan Prefecture, namely, Yanchang, Yanchuan, Zichang, Ansai, Wuyi, Zhidan, Ganquan, Fuxian, Luochuan, Huangling, Yichuan and Huanglong; the subsidy was 50.49 million yuan. There were 12 counties in Yulin Prefecture, namely, Yulin, Shenmu, Fugu, Hengshan, Jingbian, Dingbian, Suide, Mizhi, Jia-xian, Wubao, Qingjian and Zizhou; the subsidy was 67.95 million yuan. The number of counties receiving financial subsidies has increased to 70 percent of the total counties in our province. If this continues over a long period of time, it will definitely threaten the progress of the socialist construction of the four modernizations. Therefore, it is imperative to change the face of the counties receiving financial subsidies by every possible means.

II.

The following are the main reasons for the existence of counties receiving financial subsidies in our province. First, over half of the counties in our province are situated in mountainous areas with inconvenient transportation, resulting in slow economic development. Although there are rich resources in some counties, due to the lack of technology, transportation, investment, etc., they are not yet exploited and utilized. Due to the lack of financial resources, this superiority in resources has not yet been turned into superiority of production and commodities. The counties receiving financial subsidies in the mountainous areas of north, south and central Shaanxi, basically belong to this category.

Second, certain counties have been under the "left" ideological influence for many years and have engaged in a single economy. Only grain production has received consideration, and the development of forestry, animal husbandry, sideline production and fishery have been neglected. The county-run or commune-run industries are not well developed. Although a few factories have been built in certain counties, due to poor management, profits are low, expenses are high and losses incurred in the enterprise are great. Not only do these enterprises fail to contribute revenue, but they need financial subsidies. Thus revenue derives primarily from the agricultural taxes, and it is difficult to attain large increases in revenue. On the central plain, Jinyang, Shanyuan and Gao-lin, usually called "the home of Chinese cabbage," are like this. They have high yields in grain and cotton but cannot make ends meet financially.

Third, since the founding of our country, the administrative, cultural, educational and hygienic enterprises have been developing rather quickly, causing the financial expenditures to exceed the rate of increase of revenue. According to the statistics of the six counties receiving financial subsidies, namely, Qianyang, Longxian, Lingyou, Taibai, Fufeng and Wugong, income increased by 82.36 percent and expenditures by 171.5 percent if 1982 is compared with 1971. Because of the rapid increase in expenditures, the difference between income and expenditures in many counties has become greater and greater.

Fourth, due to the fact that the proportion between accumulation and expenditure has been regulated by the state for the past few years, a portion of the

national income originally budgeted by finance was transferred to the peasants, the staff and workers and the enterprises, which brought a corresponding decrease in the portion centrally allotted by finance.

Fifth, the relevant departments did not pay much attention to developing sources of income and reducing expenditures. They did not understand very well that it is important to change the face of those counties receiving financial subsidies. There was neither a long-term plan nor was the leadership strengthened, much less were adequate measures taken.

III.

In order to change the face of the counties receiving financial subsidies as soon as possible, we propose the following suggestions.

1. Deepen understanding and improve leadership. The party committees and the governments at all levels should consider it a major task to change the aspect of the counties receiving financial subsidies and place it on their agenda. They must overcome those ideas of "having difficulty in changing" and "being right to receive subsidies" as well as "waiting, relying and requesting." They must inspire enthusiasm, turn their eyes toward the inside, devise a plan, tap latent power and achieve good results. We suggest that every prefectural administrative office and every city government choose one or two counties as typical cases for changing the face of counties receiving financial subsidies, sum up experiences, bring along the rest and make new breakthroughs.
2. An overall plan for changing the face of the counties receiving financial subsidies should be worked out. Starting now, investigation and research should be augmented in the province, the prefectures or the cities and the counties. An overall annual plan for changing the counties receiving financial subsidies should be worked out on the basis of a well-done overall balance. The objectives of the struggle, the task and the measures should be clearly put forward. The policy of "food to eat first and construction second" should be upheld. Proceeding from reality, bring local superiority into full play and develop the economy.
3. Emphasize making money. In agriculture, not only should the grain production receive attention, but the multiple enterprises of forestry, animal husbandry, sideline production and fishery should also be stressed. In industry, not only should the industry owned by all the people be managed well, but the rural commune-run and brigade-run industries and the collectively owned industries in the cities and towns should also be developed. It is from the superiority of high-quality products and the decrease in the consumption of raw materials that we should seek our living and development. Not only should the production of commodities receive attention, but the circulation of commodities should also be stressed. So long as production is developed and economic benefits are raised, there would be reliable sources of income for financing.
4. Broaden your field of vision of the accumulation of wealth and try to amass capital through multiple channels. Capital should be raised to support

production based on the principle of "capital mainly amassed by the masses, while asking for financially supported subsidiaries." It is necessary to mobilize the broad masses to invest voluntarily in initiating enterprises. Industries collectively initiated by the peasants or by joint families and family-run industries should be energetically encouraged. Try to enliven the economy by expanded reproduction. According to the characteristics of their vocations and geared to the needs of the job, the vocational departments of the province, the prefectures or the cities should support the change of one or two counties by means of productive, technical or investment assistance. A certain amount of special funds should be arranged during budget making for the purpose of changing the face of the counties receiving financial subsidies.

5. Careful calculation and strict budgeting should be done so as to allocate the limited amount of money where it is needed most. Nonproductive expenditures should be reduced and productive funds increased in order to expand commodity production and augment the income of the state, the collective and the individual.

6. The system of personal responsibility should be established. According to the plan to change the face of the counties receiving financial subsidies, rewards should be given to those that are changed within the specified time. For those that are not, it is necessary to investigate and affix the responsibility of the person in charge of the relevant department. As to those counties that are presently in need of subsidies and are sure that they can be financially self-supporting before 1985, the financial departments of the province, the prefectures or the cities can sign contracts with the county governments, and a "certificate of military orders" can be established. A rolling plan can be adopted. The subsidy quotas for the next 2 years can be prepaid in order to help these counties change as soon as possible. If they cannot change in due time, the financial departments of the province, the prefectures or the cities will no longer give them any more subsidies.

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CSO: 4006/346

FINANCE AND BANKING

SHAANXI FINANCIAL INSPECTION PROVES SUCCESSFUL

Xian SHAANXI RIBAO in Chinese 25 Feb 84 p 1

[Article by staff reporter Bian Sui [6708 4840]: "The General Financial and Tax Inspection Achieves Marked Results in Our Province"]

[Text] The general financial and tax inspection has achieved marked results in Liaoning Province. By the end of December 1983, the province had discovered 68.2 million yuan in disciplinary violations and 40.03 million yuan in profit and tax payments, totalling 108.24 [as published] million yuan. This figure is equivalent to over 7 percent of Liaoning's annual revenue in 1983, as well as 61 percent of the profits handed over to the state by industrial and commercial enterprises throughout the province in 1983.

Problems revealed during this general financial and tax inspection have been handled in a more conscientious manner and a more timely manner. Every effort has been made to ensure that problems are handled and delinquent payments are delivered to the state treasury while the inspection is carried out. At present, all localities are stepping up the work of delivering funds recovered during the inspection to the state treasury and handling the cases of discipline violations. They have eliminated the previous practice under which the inspection was large-scale but not many problems were solved quickly.

The leading organ for the general provincial financial and tax inspection pointed out that discovering over 100 million yuan of delinquent tax and profit payments and discipline violations during such a short period in a province such as Liaoning, where annual revenue is just over 1 billion yuan, indicates that serious malpractices exist in this regard. It also indicates that there are many loopholes in the financial management of enterprises in Liaoning Province. Through this inspection, all localities and units should better understand the necessity and importance of strengthening enterprise management and perfecting the financial system and consider and solve problems which have been revealed during this inspection as an important component of party consolidation.

12302

CSO: 4006/366

FINANCE AND BANKING

ENCOURAGING PROGRESS IN RURAL BANKING WORK DESCRIBED

Yinchuan NINGXIA RIBAO in Chinese 7 Feb 84 p 1

[Article by Wei Yuzhang [7614 3768 4545]: "Financing in the Rural Areas of Ningxia Has Taken on an Encouraging Aspect. Support the Development of Merchandise Production and Enlarge the Channel for Commodity Circulation"]

[Text] In 1983, financing in the rural areas of Ningxia has become very healthy. Not only does the releasing of various agricultural credits support the overall development of agricultural production and enlarge the channels for commodity circulation, but it also carries out the principle of "dealing with different things in different ways and supplying to the better applicants." It has enabled the various savings of the rural credit plan to over-fulfill the state plan by 19.7 percent, an increase of 15.4 percent over that of the previous year. A good situation, in which the increase in savings was greater than that in loans, has also developed. The total amount of savings in the rural area of Ningxia reached 143.36 million yuan, an increase of 41.67 percent over that of the previous year. The average per capita savings is 44.78 yuan, an increase of 12.38 yuan over that of the previous year.

Actively collect rural capital and use the peasants' money to manage their affairs. From 1979 to 1983, the agricultural banks and credit cooperatives at all levels in Ningxia have organized different kinds of savings amounting to 97.84 million yuan from the rural areas, with an annual increase of 24.46 million yuan, among which the savings in 1983 increased by 33.42 million yuan over that in 1982. The money used for increasing the agricultural credit for that year was 9.02 million yuan, or only 26.98 percent of the increased amount of the savings. The various kinds of loans for the rural areas could reach 200 million yuan in 1984. They would provide a reliable guarantee of capital for the development of Ningxia's rural economy.

Good banking policy in agricultural lending supports the overall development of agricultural production. Last year, the accumulated amount of loans to the rural communes and brigades and to the contractor units was 115.56 million yuan in the rural areas of Ningxia, an amount which showed an increase of 89.2 percent over that of the previous year and is also the highest in the whole history of agricultural lending. The loans were focused on helping the contractor units, the specialized units and the key units render support to develop commodity production. Credit to these "three units" amounted to 89.3 percent of the total. In the meantime, major efforts were devoted to recalling

mature or overdue loans, and less money was put into circulation. In 1983, the agricultural credit recalled in Ningxia amounted to 106.42 million yuan, which is 92.2 percent of the total credit. In addition to recalling the mature loans which were granted in the same year, 20 percent of the loans granted in the previous years was recalled, thus making the net agricultural credit amount to 42 percent of the planned agricultural credit. For the whole year, agricultural loans have been granted in proper time and recalled at the right time.

Support the circulation link and stimulate the agricultural economy. Last year credit granted by the agricultural banks for rural commerce totaled 602.88 million yuan, of which 7.37 million was set aside for both collective and individual commercial enterprise, an increase of 75 percent over that of the previous year. In the meantime the purchase of farm produce and sideline products was vigorously supported. The total cash paid was more than 180 million yuan, which invigorated the circulation link and played a positive role in solving the peasants' difficulties in buying and selling after an agricultural bumper harvest.

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CSO: 4006/346

FINANCE AND BANKING

BRIEFS

NINGXIA REVENUES INCREASE--As a result of the valiant effort made by the comrades and staff workers in the various trades and businesses, the economic situation in our region has gotten off to a good start and has taken another turn for the better. Revenues have reached 20.14 million yuan, or 10.4 percent of the budget, representing an increase of 11.2 million yuan or 1.2 times the amount for the same period last year. The increase in revenues, aside from the 3.3 million yuan accounted for by the export of coal, may be attributed to increases in the income of the industrial and commercial enterprises. The income of 1.82 million yuan of the industrial enterprises (including income taxes paid by the state enterprises) constitutes 6.2 percent of the annual budget, representing an increase of over 3 times compared to the same period last year. The local state enterprises all showed a considerable increase in their production value and the amount of sales, a decrease in losses and higher profits compared to the same period last year. The income of the commercial enterprises came to 1.32 million yuan, or 6.3 percent of the annual budget, showing an increase of 50 percent compared to the same period last year. In January, the industrial and commercial taxes came to 14.29 million yuan, or 8.9 percent of the annual budget, showing an increase of 13.6 percent compared to the same period last year. [Text] [Yinchuan NINGXIA RIBAO in Chinese 24 Feb 84 p 1] 9621.

CSO: 4006/343

MINERAL RESOURCES

BRIEFS

NEW URANIUM DEPOSIT -- Geological workers in Sichuan and Gansu provinces recently confirmed that a mineralized belt west of the Qinling Mountains has rich uranium resources. They have discovered a uranium deposit in this area, including several industrial mineral deposits of different sizes. The West Qinling Mineralized Belt covers an area of over 8,000 sq km. Geological workers began to look for uranium in this area as early as the 1960s. They have climbed mountains, crossed streams and battled snow and storms on the plateau, scoring many inspiring important achievements. [Text] [Chengdu SICHUAN RIBAO in Chinese 27 Feb 84 p 1] 12302

CSO: 4006/366

INDUSTRY

INDUSTRIAL GROWTH IN FIRST 9 MONTHS OF 1983

Beijing ZHONGGUO JINGJI JIBAO [CHINA ECONOMIC QUARTERLY] in Chinese No 4,
15 Dec 83 pp 18-20

[Article by Ren Jiudi [0117 0046 4574] and Zhang Gonglian [1728 0361 1670]:
"Sustained Increase in Our Country's Industrial Output in the First 9 Months
of 1983 With Improved Economic Result in Every Quarter"]

[Text] Continuing to implement the policy of "readjustment, restructuring, consolidation and improvement" with the improvement of economic results as the core, the industrial and transportation front has since the beginning of this year made great efforts in reorganizing the enterprises and achieved fairly great success in industrial production with good economic results.

I. Industrial production has developed fairly rapidly, and the growth rates of both light and heavy industries were coming closer to each other. Early this year, the growth of light industry was rather slow because of the restriction on textile production. In the first quarter, the output value of light industry, compared with the same period last year, increased 2.5 percent, while that of heavy industry increased 11.7 percent. Since April, based on the changes in supply and demand on the market, the state made timely readjustments in the production plans for pure cotton fabrics and terylene-blended fabrics and at the same time stressed the need to give priority to light industry in the supply of energy, raw materials and transportation facilities, and in the distribution of investment, loans and foreign exchange. Since the second quarter, the growth of light industry has become faster and its output value has increased 8.1 percent, against a 12.7 percent increase in heavy industry over the same quarter of last year. Light industry continued to grow in the third quarter and its output value increased 11.7 percent, against a 13.6 percent increase in heavy industry over the same quarter last year. Thus the growth rates of both industries tended to be closer to each other.

In the first 9 months of this year, the gross value of industrial output reached 450.4 billion yuan, surpassing the planned target by 3.2 percent, and being 10.1 percent over the same period last year. This included a 7.5 percent increase in light industry and a 12.7 percent increase in heavy industry.

II. The output of coal, electricity and oil increased steadily. Since energy is the motive force of industry, its development has a regulatory effect on industrial development. The correct energy policy adopted in the past several years has made it possible for us to maintain a steady increase in our energy output all along. In the first 9 months of this year, compared with the same period last year, the output value of coal industry reached 13.2 billion yuan, an increase of 6.6 percent, and coal output reached 511.3 million tons, an increase of 31.9 million tons. The output value of the petroleum industry was 23.1 billion yuan, a 5.7 percent increase over the same period last year. Oil output was 78.87 million tons, an increase of 2.63 million tons over the same period last year. In electric power industry, the output value was 16.3 billion yuan, an increase of 6.6 percent, and the output was 258 billion kWh, an increase of 17 billion kWh over the same period last year. The water situation was not bad this year, since water storage in various large hydropower stations showed a marked increase over last year. Therefore, the power generation was more than 10 billion kWh over the planned figure. Calculated at the standard price of coal consumption for the generation of thermopower, this increase in power generation means a saving of nearly 8 million tons of coal. In the first 9 months, the output of primary energy (in terms of standard coal) reached 515.91 million tons, a 6.4 percent increase over the same period last year. This is considered a fairly high rate of increase in recent years, and has provided fairly good energy conditions for industrial development.

III. Efforts have been made in the consumer goods industry to meet market demands in the cities and the countryside. In light industry during the first 9 months, the output value of consumer machinery industry was 10.2 billion yuan, a 10.9 percent increase over the same period last year. This industry produced 20.02 million bicycles, an increase of 2.73 million over the same period last year; 2.67 million household laundry machines, an increase of 840,000 over the same period last year; 130,000 refrigerators, an increase of 60,000 over the same period last year; and 4.43 million TV sets, an increase of 320,000 over the same period last year. The output value in the papermaking industry was 6.3 billion yuan, a 12.6 percent increase over the same period last year. Among the consumer goods industries, the growth of the machinery and papermaking industries was the fastest, both surpassing the 10.1 percent rate of increase in the volume of retail sales in the first 9 months of this year. This reflects a new change in the composition of supply of and demand for consumer goods after the improvement of cultural life of the urban and rural population.

In the first 9 months, the output value of textile industry was 68.3 billion yuan, an increase of 6.9 percent over the same period last year. It produced 2.89 billion meters of terylene blended fabrics, an increase of 740 million meters; 100 million meters of woolen piece goods, an increase of 8 million meters over the same period last year; and 74,000 tons of knitting wool, an increase of 8,000 tons over the same period last year. Since the beginning of this year, the market has been amply supplied with textile goods, with a marked increase in new varieties and new designs for the consumers' choice.

The output value of the food industry, which had been fairly weak, also showed an increase of 6.4 percent in the first 9 months of this year, compared with the same period last year. It produced 2,731,400 tons of sugar, an increase of 436,000 tons over the same period last year; 13.27 million cases of cured tobacco, an increase of 90,000 cases over the same period last year; and 1.31 million tons of beer, an increase of 390,000 tons over the same period last year. Light industry developed fairly rapidly in the first 9 months, and has continued to supply consumer goods for daily use in ever increasing quantities. The markets in both the cities and the countryside are flourishing.

IV. Production in the metallurgic, chemical, building materials and machinery industrial branches has been increased greatly. In the first 9 months of this year, the output value of the metallurgical industry reached 38.9 billion yuan, an increase of 9.6 percent over the same period last year. It produced 29.68 million tons of steel, an increase of 2.15 million tons over the same period last year; and 22.76 million tons of rolled steel, an increase of 1.14 million tons over the same period last year. The increase in the output of steel plates, pipes and strips was even larger.

The output value in chemical industry was 55.3 billion yuan in the first 9 months of this year, an increase of 11.7 percent over the same period last year. It produced 6.39 million tons of sulphuric acid, an increase of 340,000 tons over the same period last year; 1.59 million tons of caustic soda, an increase of 60,000 tons over the same period last year; and 10.47 million tons of chemical fertilizers, an increase of 740,000 tons over the same period last year.

The state has attached great importance to housing construction for the urban and rural population, and, as a result, the building materials industry has developed very rapidly. In the first 9 months, the output value of this industry reached 17.5 billion yuan, an increase of 11.2 percent over the same period last year. It produced 77.96 million tons of cement, an increase of 9.25 million tons over the same period last year; 30.01 million standard cases of plate glass, an increase of 4.18 million standard cases over the same period last year and 960,000 cubic meters of artificial board, an increase of 90,000 cubic meters over the same period last year.

The output value of machinery industry in the first 9 months was 105.7 billion yuan, an increase of 17.4 percent over the same period last year. It produced 179,000 motor vehicles, an increase of 33,000 over the same period last year; 1.28 million kW of power generating equipment, an increase of 360,000 kW over the same period last year; and 370,000 walking tractors, an increase of 140,000 over the same period last year. The machinery industry has taken a further step forward in improving its product mix and service orientation. It has also actively served agriculture, light industry and technical transformation, paid attention to the supply of complete sets of equipment, and ensured that the requirements of the state's key projects were met. Some of the machinery products are up to the international standards.

V. The plan for the volume of freight transportation by railways was fulfilled. There has always been a heavy strain on railway and other means of transportation. This year, however, the transportation plan has been fairly satisfactorily completed. In the first 9 months, the total volume of railway freight traffic was 865 million tons, an increase of 2.3 percent over the planned figure and 4.1 percent over the same period last year. The volume of water transportation by units directly under the Ministry of Communications was 114 million tons, an increase of 0.7 percent over the planned figure and 1.1 percent more than the same period last year.

VI. Industrial economic results have improved quarter after quarter.

A. Compared with the same period last year, the sales proceeds of state-run industrial enterprises in the budget increased 19.3 billion yuan, a 7.5 percent increase. Because of the increase in easily marketable products, the rate of increase of sales proceeds rose quarter after quarter. Compared with the same quarters last year, the increase was 3.2 percent in the first quarter, 8.5 percent in the second quarter and 10.6 percent in the third quarter.

B. The state's revenues increased along with the total amount of profits turned in and taxes paid. In the first 9 months, compared with the same period last year, the grand total of profits turned in and sales tax paid by the state-run industrial enterprises included in the budget increased by 3 billion yuan, a 4.6 percent increase (including a 6 percent increase for special oil-burning tax). Compared with the previous year, there was a 3.7 percent decrease in the first quarter, a 5.2 percent increase in the second quarter and a 12 percent increase in the third quarter. The amounts of profits turned in and taxes paid increased faster every quarter. The state's portion (of profits turned in and sales taxes paid) also increased by 590 million yuan, a 1.1 percent increase, over the same period last year. The trend of a 2.6 percent decrease in the second half of last year was reversed.

C. Losses were decreased. In the first 9 months, compared with the same period last year, the grand total of losses incurred by the enterprises was reduced by 700 million yuan, a 23.6 percent reduction. Compared with the same quarters of last year, the reduction of losses was 1.9 percent in the first quarter, 29.8 percent in the second quarter and 45.1 percent in the third quarter. The efforts in decreasing losses showed improved results every quarter. In nine provinces and one municipality, namely, Jiangxi, Hubei, Hebei, Liaoning, Shanghai, Shaanxi, Henan, Jilin, Gansu and Shanxi, the losses were decreased within a range of 32.5-57.4 percent below the same period last year. This achievement was 32.1 percent above the target set for this year.

D. The quality of one-third of the major products has been improved. According to the statistics on 75 quality norms in 12 industrial and transportation branches in the first 8 months of this year, compared with the same period last year, the improvement of quality was reflected in the ash contents of commodity coal, the grade of copper concentrate, the sulphur

content of coke, the percentage of first-grade butadiene rubber and plate glass, the percentage of quality goods of polyester fibers, and the quality points for bicycles and sewing machines, totaling 25 items, or 33.3 percent of the quality norms. The norms of 37 other items, or 49.4 percent of the quality norms, remained the same, while still another 13 items, or 17.3 percent of the quality norms as shown in the grade of iron concentrate, the effective phosphorus content of common calcium [pu gai 2528 6862], the percentage of first-grade printed and dyed pure cotton fabrics in the warehouses, and the percentage of first-grade (second-grade) plywood, deteriorated.

After 4 years of readjustment of our national economy, the proportionate relationship between agriculture, light industry and heavy industry has gradually become harmonious, thus laying a good foundation for industrial development. In the first 9 months of this year, all regions and departments have strengthened their leadership and adopted forceful measures in vigorously checking the unhealthy tendency of raising the prices of the means of production and of apportioning expenditures indiscriminately in order to reduce the expenditures of enterprises. In some trades (especially the tobacco trade), some plants which produced goods of inferior quality at high consumption and competed with the larger enterprises for raw materials were closed, suspended, merged or retooled for new lines of production. Readjustment was carried out vigorously and, as a result, some enterprises succeeded in stopping their losses remarkably, while others improved their operation with reduced consumption. The coordination between industry and commerce was further strengthened and the channels of circulation were shortened, resulting in faster turnovers of funds. Since profit delivery was replaced by tax payments in the second half of this year, many enterprises have undergone new changes. For example, Tianjin No 5 Wireless Elements Plant made great efforts to raise its products' adaptability to the market, and, compared with the same month last year, its output in August increased 1.1-fold, its sales proceeds increased 73.4 percent, and its profits increased 92.5 percent. It did not turn in any profits at the end of August last year, but did turn in 1 million yuan in the same month this year.

The general economic trend of industry was good in the first 9 months of this year. However, some problems still existed.

1. Energy consumption was high, and heavy industry, which exerted a heavy strain on transportation capacity, was growing too fast. The main factors of the rapid growth of heavy industry were as follows: First, the expanded scope of investments in fixed assets required more equipment and materials of which 40 percent were heavy industrial products. Second, the development of agricultural production and the combat against drought and flood required more walking tractors, small four-wheel tractors, drainage and irrigation equipment, chemical fertilizers and other means of agricultural production, and approximately 20 percent of these items were heavy industrial products. Third, some products (such as motor vehicles and machine tools) were produced excessively despite the restrictions in planning.

Approximately 10 percent of them were heavy industrial products. Furthermore, many enterprises have increased their production a great deal in order that they could pay more bonuses.

2. The rate of increase in industrial profits and taxes was still much lower than that in the gross industrial output value, and the economic results were not ideal. What deserves our attention is that the little profits turned in by some regions had a fairly serious effect on state revenues. The cause of this low profit level was mainly the undue increase in the retained profits of the enterprises and in the exemption of profit delivery. Furthermore, some enterprises which were under poor management and unable to cut their production costs suffered serious losses and failed to attain the goal of reducing their losses by 32.1 percent this year as required by the state among the money-losing enterprises.

The fourth quarter is the season with fairly favorable conditions for industrial production. Since we cannot afford to miss this opportunity, we must strive to make the fourth quarter a success. First, we must rationally distribute our energy, raw materials and communications and transportation resources in accordance with the principle of preferential treatment for the good and elimination of the backward units so that those enterprises which produce goods of fine quality with low consumption and good economic results can carry on their production at full speed while the backward ones will be subjected to the "closing, suspension, merging and retooling" treatment. Second, proper control must be exercised over heavy industry so that its production will strictly conform to the state plans. Light industry should step up the production of easily marketable goods this winter and next spring, and all industrial and transportation departments must strive for an all-round fulfillment of state plans.

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CSO: 4006/396

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ENTERPRISES' EFFORTS IN CUTTING LOSSES REPORTED

Beijing ZHONGGUO JINGJI JIBAO [CHINA ECONOMIC QUARTERLY] in Chinese No 4,
15 Dec 83 pp 26-28

[Article by Wu Zhi [0702 2535]: "Experiences of Enterprises in Turning Losses Into Profits in the First 9 Months of 1983"]

[Text] In accordance with the principle put forward by the party Central Committee that all economic work should center around the improvement of economic results, all regions and departments have since the beginning of this year done a great deal of work in trying to turn losses into profits and achieved certain success. On the whole, however, the progress of work in this respect among the enterprises was not fast enough, the development was not even, and the results were not ideal. The total amount of losses is still fairly large. This situation has very serious effects on the improvement of economic results and the increase in state revenues. The urgent task of the moment in economic work is to make great efforts in turning losses into profits, and in increasing revenues and curtailing expenditures so that the amount of losses can be reduced by a wide margin.

From January to September, out of the 8,436 state-run industrial enterprises included in the budget as units operating at a loss, the number of those actually incurring losses was reduced from 28.5 percent in the same period last year to 20.6 percent, while the volume of losses was reduced by 23.6 percent. Among different departments, the fairly heavy losers were the coal industry, light industry, machine-building industry, chemical industry and textile industry. Those whose losses were reduced by more than 30 percent below the same period last year were the hydropower industry, petroleum industry, astronautic industry, electronics industry and shipping industry. Those whose losses were increased over the same period last year were the textile, nonferrous metal, and light industries, and the forestry department. Among different regions, the three provinces whose losses were reduced more than 50 percent below the same period last year were Shanxi (57.4 percent), Gansu (52.7 percent) and Jilin (50.2 percent). The nine provinces and one municipality whose losses were reduced more than 30 percent were Henan, Shaanxi, Shanghai, Liaoning, Hebei, Hubei, Jiangxi, Shandong, Guizhou and Fujian. The two provinces whose losses increased were Guangdong (16.2 percent) and Yunnan (5.3 percent). The five provinces whose losses were increased more than 100 million yuan were Guangdong, Heilongjiang, Hunan, Shandong and Sichuan. In the work of reducing

losses as a whole, the enterprises engaged in defense industry did better than those engaged in civilian industry (in the first 9 months, compared with the same period last year, the former reduced their losses 32 percent), and local industry did better than those enterprises directly under the central departments (the former reduced their losses 27.1 percent; the latter, only 3.5 percent).

From January to August, the losses of state-owned commercial enterprises increased 19.9 percent over the same period last year, and the units inside the food company system were the heavy losers. Compared with the same period last year, their losses increased 73.1 percent; and with the exception of Jilin and Guangxi whose losses were slightly reduced, all the other provinces, municipalities and autonomous regions increased their losses or reduced their profits in varying degrees. The units outside the system reduced their losses 19.2 percent. Four provinces and one autonomous region--namely, Liaoning, Hebei, Guizhou, Shanxi and Guangxi--reduced their losses by more than 40 percent, while seven other provinces--namely, Anhui, Yunnan, Jiangsu, Fujian, Jiangxi, Guangdong and Sichuan increased their losses. The supply and marketing cooperative system in the first 8 months, compared with the same period last year, increased their losses 14 percent. Shanghai and Shandong reduced their losses by more than 60 percent, while four other provinces, municipalities and autonomous regions, namely Nei Monggol, Hunan, Tianjin and Yunnan, reduced their losses more than 25 percent. In 14 provinces and 2 autonomous regions, namely, Zhejiang, Jiangsu, Ningxia, Heilongjiang, Anhui, Qinghai, Shaanxi, Liaoning, Fujian, Jiangxi, Hubei, Xinjiang, Hebei, Guizhou, Sichuan and Guangdong, losses were increased. In the grain system during the first 8 months, compared with the same period last year, losses incurred due to the prices of grain and oil increased 3.5 percent. The net losses of grain enterprises were reduced 14.6 percent. In Henan, Shandong, Jiangxi, Tianjin, Hubei, Jiangsu and Hunan, losses were reduced more than 50 percent, while in Anhui, Ningxia, Xinjiang, Beijing, Jilin and Guizhou, the losses were reduced by more than 25 percent. Losses were increased in Guangxi, Yunnan, Zhejiang, Fujian, Guangdong, Qinghai and Nei Monggol.

On the whole, progress has been made in industry in reducing losses, although the development was uneven. In commerce, losses are continuing to increase, and there are more problems.

The experiences of those units where the work of reducing losses was fairly effective and fruitful are mainly as follows:

1. The leaders at all levels attached great importance to this work and personally attended to it with firm determination. They would not stop this work until they could show good results. Since the national symposium on industry and transportation and the subsequent national meeting of the chiefs of all the financial bureaus and departments held by the Ministry of Finance, all regions and departments have been fairly keen on the work of turning losses into profits, and 25 provinces, municipalities and autonomous regions have held symposiums on industry and transportation to study afresh the problems of turning losses into profits. Shanxi, Shaanxi, Hebei, Gansu, Guizhou and Ningxia as well as the chemical industry and the metallurgic, coal, geologic

and commercial departments have separately held similar meetings to study the methods of reorganizing the enterprises and turning their losses into profits. These meetings also put forward the plans, set the goals and demands, and worked out certain useful policies and measures for reducing losses. These policies and measures have played a very good role in promoting this work. In Jilin, Henan, Liaoning and Shandong Provinces and in the machine-building and chemical industrial branches, special leading persons were appointed to attend to this work. Under this arrangement, the governor of each province, the mayor of each municipality, the minister of each ministry, and the plant director of each plant had to attend to this task in person. In some provinces or municipalities, the leading cadres even organized and led workteams down to the basic levels to help enterprises turn their losses into profits. In Jilin Province, the relevant departments were organized under the personal leadership of the provincial party committee secretary to conduct analysis one by one among the enterprises incurring losses and to work out plans for stopping losses. Then on the basis of a 26.3 percent reduction of losses in 1982, the job of a further 50.2 percent reduction in the first 9 months of this year was divided among the leaders at various levels in the province. In Henan, a vice governor was designated for the work of stopping losses. After conducting concrete analyses and investigations on more than 700 enterprises which had incurred losses, and accordingly devising different means of stopping losses, he called for a 60 percent reduction in the current year in the province. In the first 9 months, these losses had already been reduced by 45.4 percent. In Shanxi, the work of turning losses into profits began last year. The responsible leaders listened to the reports on this work once every 10 days and reviewed the work's progress once every month. Then the task of stopping losses in 495 enterprises was shared by leading cadres at various levels. The total amount of losses among all industrial enterprises in the province dropped by 41.6 percent last year, and by 57.4 percent in the first 9 months of this year. In Heilongjiang, the secretary of the Jiamusi municipal party committee paid six visits to the Jiamusi Combined Harvester Plant which incurred a loss of 2.37 million yuan last year. He rendered concrete assistance in solving problems and encouraged the plant to improve its management as well as the quality of its products, and to develop new products. Finally, this plant's losses were totally stopped.

2. The responsibility system for turning losses into profits was set up along with the task of stopping losses. Many provinces, municipalities and autonomous regions have formulated plans for stopping losses and broken down the targets for all levels. The responsibility at each level was clearly spelled out so that the work of stopping losses could be carried out in a down-to-earth manner. In Hebei, it was stipulated that the enterprises included in the budget should reduce their losses by 37.5 percent. The leaders of 75 heavy money-losing units, 15 prefectures and municipalities and 8 departments and bureaus in the province signed a "military pledge" to stop the losses within certain time limits, failing which, they were willing to be demoted, to be punished by salary cuts, and even to resign or to be dismissed on the spot. Similar stipulations were also made in Liaoning, and 63 leading cadres have already been fired or asked to resign because of their inefficiency in stopping losses. This disciplinary action produced a strong repercussion throughout the province. In the first 9 months of this year, the number of enterprises

incurring losses were reduced 50.5 percent, and the amount of losses dropped 40 percent. Gansu called for the setting up of a responsibility system for stopping losses among all enterprises hitherto incurring losses. The leaders of those enterprises which had achieved outstanding results in stopping losses would receive more bonuses than the workers would. However, if they failed to fulfill their tasks, these leaders were required to pay their fines. In the first 9 months, 104 of these enterprises, being 60 percent of all money-losing enterprises, attained their goals in cutting losses. In Shandong, it was stipulated that the enterprises incurring losses as a result of poor management had to reduce one-third of these losses. If their losses were less than 200,000 yuan, they had to turn these losses into profits. Those enterprises incurring losses in the implementation of certain policies should reduce these losses by 15-20 percent. The province also demanded that goals be set for all levels, including the trades, enterprises, workshops and teams and shifts. If the goals could not be attained within the time limit, the leading cadres should resign on their own initiative or be dismissed on the spot.

3. Attention was paid to important trades and those enterprises making large profits or incurring heavy losses. In Shandong, particular attention was paid to the first light industry and the coal, metallurgical and chemical industries, as well as the enterprises with annual losses of more than 1 million yuan. The work of stopping these losses had to be carried out by the responsible persons of various departments in charge. The Ministry of Machine-Building Industry paid particular attention to the 10 large enterprises, each with losses of more than 3 million yuan, while the departments and bureaus separately attended to the 79 enterprises each with losses of more than 1 million yuan, and the 74 large enterprises each with an annual profit of 5-10 million yuan or even more. The work of reducing losses proceeded rapidly through the methods of monthly statistics, quarterly announcements of profits and losses, and supervision and investigations by specially assigned responsible cadres. By the end of September, 29 of the 79 enterprises, hitherto incurring losses of more than 1 million yuan each, had turned their losses into profits, and the number of enterprises incurring losses in the trade was reduced 61.1 percent, compared with the same period last year. In Shaanxi, particular attention was paid to the 38 large enterprises whose annual losses exceeded 500,000 yuan each and whose losses combined to account for 75 percent of the total loss in the province. Because of the firm action taken, these 38 heavy losers succeeded in reducing their losses by 42.3 percent by the end of August, compared with the same period last year. Of these 38 enterprises, 13 had turned their losses into profits and 17 others had their labels of heavy losers removed. In Guizhou, particular attention was paid to the reorganization of the leading bodies of 82 enterprises which had been incurring losses. The new leading bodies were urged to blaze a new trail in reducing losses within 3 months, failing which they would be reorganized once again. In Liaoning, Jilin, Heilongjiang, Henan, Hebei, Anhui, Shanxi and Guangdong, particular attention was also paid to the important trades and enterprises making large profits or incurring serious losses, with varying degrees of success.

4. Reorganization of enterprises was carried out hand in hand with their consolidation. Many provinces, municipalities and autonomous regions have treated the work of turning losses into profits as one of their important tasks,

and accordingly strengthened their leadership over such work. They carefully studied and streamlined the enterprises which had incurred losses, classified them under different categories, and then adopted special measures for the consolidation and reorganization of each category. To those enterprises which had incurred losses because of poor management, high consumption and unmarketable goods, and which could change their complexion in a short time, time limits were set for them to reduce losses. As to those enterprises which were incurring losses through overproduction or overstocking, their output should be restricted in the course of consolidation. The enterprises which incurred serious losses because their technology was not up to standard, their equipment was in serious disrepair, their normal production could not be maintained, or their products of inferior quality could not be sold easily, should suspend their operation pending a reorganization. Those enterprises which had for a long time incurred such serious losses that it would be better for them to stop production entirely; which were in no condition to change over to another line of production; and for which the prospect of transformation was not promising, should be resolutely closed down. In dealing with those enterprises which incurred losses in the implementation of policies and with the products causing those losses, the tasks of reducing losses were assigned to the lower levels each year along with the lowering of quotas and the standards of subsidy. Most important of all, the losses incurred in the implementation of policies must not be used to cover up the long existence of and increase in losses from poor management. It was also impermissible for profitmaking enterprises to offset their unprofitable products with their profitable ones. The profit plans of these profitable enterprises were suitably raised so that these enterprises would be spurred on to adopt measures to turn the unprofitable products into profitable ones.

5. Economic policies were formulated to help the enterprises turn losses into profits. In addition to the forceful measures in administration and planning, many regions and departments have formulated effective economic policies to link the economic interests of the enterprises directly with the result in reducing losses. Through rewarding the good and punishing the bad or rewarding the diligent and punishing the lazy, the enterprises will be given some vitality and pressure in turning losses into profits. For example, if the enterprise succeeds in stopping its losses within the time limit, the subsidy for losses will be paid as originally arranged, and the resultant savings will be either shared or retained by the enterprise. Furthermore, tax reduction will also be considered. The enterprises and their personnel contributing to the success will also be rewarded in different ways including early promotion of their personnel. As to those enterprises which fail to stop their losses within the time limits, no bonus will be paid and even wage adjustments will be temporarily postponed. In some cases, their basic wages will be withheld. The state will no longer subsidize their losses, the bank will not extend any loan, and the enterprises must use their own funds to cover the losses. Those enterprises whose management was chaotic, whose products were not easily sold, and whose prospect of transformation was not promising, should be resolutely closed down. In this case, the departments in charge had to make suitable arrangements for the workers and staff members, and pending such arrangement, their wages would not be adjusted and their bonuses would not be paid. They could only receive some living allowance.

For those enterprises which did not spend much money on technical transformation and which had shown quick results in reducing losses, the local economic commissions, the departments in charge and the finance departments would give priority in the appropriation of funds for renovation and transformation and in the grant of small loans. To the enterprises incurring losses in the implementation of policies, the amount of planned losses in the implementation of policies, the amount of planned losses was reduced along with the reduction of subsidy. All these policies of rewards and punishments did play a very useful role.

The state-run enterprises throughout the country had certain success in turning losses into profits during the first 9 months of this year. However, there is still a fairly wide gap between such success and what was originally planned, while the problems of prolonged losses and continued increase in losses in the commercial, supply and marketing, and grain systems have not yet attracted enough attention or provoked any action in adopting forceful measures. Above all, among some responsible cadres, there are such mistaken ideas as "losses are inevitable" and "losses are justified." All these are hindrances in the work of turning losses into profits, and are incompatible with the present economic developments. They must be quickly changed. The central authorities have already ruled that all regions and departments should include the work of turning losses into profits in their important agenda so that it would be treated as matters of foremost importance in economic work in this and the following year. All regions and departments were also called upon to set up the system of responsibility among the leaders in the same way as we did in controlling the scale of capital construction; to strictly enforce the financial and economic disciplines; to conduct a general financial checkup throughout the country this winter; and to resolutely correct all forms of serious violation of financial and economic disciplines, in order that the amount of losses by the industrial enterprises next year will be reduced to less than one-half of this year's. All losses due to poor management should be basically eliminated and the profitmaking enterprises should make every effort to further increase their profits. The losses caused by unprofitable products of the profitmaking enterprises should be decreased by a wide margin. Thus, as long as the leadership at various levels attaches due importance to this work, takes forceful measures, and realistically improves the standing of the enterprises, it will be entirely possible for them to reach their goal.

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CSO: 4006/305

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TECHNICAL TRANSFORMATION OF CHINA'S MACHINING EXPLAINED

Beijing JICHUANG [MACHINE TOOL] in Chinese No 1, 1984 pp 43, 33

[Article by Zhou Yanyou [0719 1693 0147] of the Beijing Machine Tool Institute under the Ministry of Machine-building Industry: "On China's Technical Transformation of Machining Process"]

[Excerpt] 2. Views on the Technical Transformation of China's Machining

Small- and medium-scale mass-production automation trends in the engineering industry overseas have been summarized above. Faced with these facts, what should we do?

First, let us look at the five forms of small- and medium-scale mass-production machining.

The first form is the use of ordinary machine tools plus special-purpose technical equipment. This was the form prevalent overseas prior to the 1950's, in order to insure quality or to raise efficiency they had to use a great many special-purpose technical equipment or even a few special-purpose and combination machine tools. This form lacks flexibility and requires the scrapping of a lot of special-purpose technical equipment, the redesigning and manufacturing of new technical equipment, the expenditure of a lot of funds and a rather long preparation period to replace product types.

The second form is the "frontlining" of jig-boring machines and the use of numerical-display machine tools; that is, using jig-boring machines (originally used in the "rear area" to manufacture industrial fixtures) to process products directly and using ordinary machine tools equipped with automatic jig display units and having enhanced precision. Its advantages are that it can save on drilling and boring die design and manufacture technical equipment with a fairly high workload, thus increasing flexibility. The use of jig-boring machines to process products directly also improves work precision, and judging by ordinary machine tools that are relatively unequipped with numerical-display units, numerical-display machine tools can raise efficiency (an approximate average increase of 20-30 percent) and insure quality. Use of this form began overseas at the end of the 1950's and the beginning of the 1960's.

The third, fourth and fifth forms are the abovementioned automation "trilogy." Use of the third form began overseas only in the 1970's, and the fourth and fifth forms are still not widely used there.

The third form is the use of Computer Numerical Control (CNC). Exactly what CNC proportion must be reached to be regarded as the third form? The writer believes that if CNC machine tools are used to process all key component parts in a factory, it can then be regarded as basically using the third form. As to the present CNC proportion, various types of factories have different ratios, the ratio being approximately 5-10 percent for machine tool factories and approximately 3-5 percent for a country (by present U.S. and Japanese standards). The writer believes that one can consider numerical-control machine tools to be basically universal when this figure is reached. It cannot now be clearly stated what the saturation point is, but it can be positively said that it cannot be 100 percent. Our country has approximately 1,000 numerical-control machine tools (not counting numerical-control circuit electrode cutting machine tools). The numerical-control proportion has not reached 0.1 percent and it will take long-term arduous striving to reach 3-5 percent.

Small- and medium-scale mass production in our country's engineering industry still basically belongs to the first form. Many people still do not understand the second form. Therefore, in its technical transformation, should our country's machining continue using the first form albeit replacing old ordinary machine tools with new ordinary ones, or should it phase into the second form, or should it bypass the second and directly employ the third? The writer has the following views on these questions.

1. We should as far as possible avoid continuing to use the first form. The reasons are that we are now in an age in which technology is forging ahead by leaps and bounds, future mechanical and electrical products will also inevitably be changing day by day, the economic lifespan is becoming shorter and the first form constitutes a material obstacle to accelerating the replacement and upgrading of our products. Slowness in replacing and upgrading mechanical and electrical products has certainly hindered the modernization of other departments of the national economy and has made it even more impossible to enter the international market.

2. Should the third form be used? As soon as this question is raised, it often becomes a debate on "whether automation is necessary in our country, which has a large population and few funds." In fact, it is essentially a question of whether it is necessary both to raise efficiency and quality and to have flexibility and a shortened production period; that is, is it necessary to improve comprehensive economic benefits? Automated numerical-control technology is a method to solve this problem comprehensively, and there is no other technical way which can be chosen. Another advantage of using the third form is that one numerical-control machine tool is more efficient than five or six ordinary ones, and this can save shop space and is advantageous in taking the road of expanded reproduction relying on intensification rather than extension. The number of machine tools being used in countries such as the United States and Japan has been decreasing in recent years because fewer high-efficiency numerical-control machine tools have replaced a larger number of ordinary ones.

But our numerical-control machine tools are expensive at present, approximately 10 to 20 times that of ordinary ones, and to use the third form requires a lot of funds. Numerical-control machine tools were also expensive 10 to 20 years ago overseas, but the governments of capitalist countries then adopted the policy of subsidizing them, similar to their present subsidizing of the new FMS and industrial robots. Considering our country's national conditions, it is unrealistic to require large-scale national subsidization of the extension of numerical-control machine tools, and thus most enterprises should use the second form and fully develop the role of jig-boring machines and numerical-display machine tools.

3. From the long-range view, a definite number of key enterprises should as soon as possible begin to use the third form. The state must be willing to back them financially in this, allowing these enterprises to advance. Only in this way can the foundation be laid for achieving the Central Committee's demand that by the year 2000 we popularize the third form, which industrially advanced countries overseas now (that is, at the end of the 1970's and the beginning of the 1980's) already generally possess.

These key enterprises should mainly be key factories of the machine tool industry. Overseas experience has shown that in order to develop the engineering industry it is necessary first to develop the machine tool industry, and China is no exception. If the machine tool industry cannot use numerical-control machine tools, how can it provide other industries with quality numerical-control machine tools?

The machine tool industry shoulders heavy development and foundation-laying responsibilities in using the third form of machining, and the following tentative ideas are now proposed:

1. Numerical-control machine tools require a series of very high technical standards for cutting tools, measuring tools, measuring instruments, accessories and auxiliary equipment. If these standards are not met, it will be impossible to mass-produce numerical-control machine tools, or the ones which are produced will not be able to play their proper role. [To set the standards] it will be necessary to initiate a comprehensive series of measures and to carry out arduous, long-term work.

2. It will be necessary to establish certain new, small industries. For example, the servo drive and modern master drive industries are a result of the "hybridization" of the modern electronics and precision engineering industries, have very high degrees of technical concentration and are quite different from the traditional electrical machine industry. This type of industry and technology is called mechatronics (a new term) and is now developing by leaps and bounds overseas. We must not only master the technology of this kind of industry but also form a corresponding production capacity. Since a numerical-control machine tool requires only one control system, it requires at least two and as many as four or five servo drive systems.

3. Do everything possible to reduce the price of CNC machine tools and create the conditions to popularize the third form.

Based on China's national conditions, the fourth and fifth forms can now only be regarded as scientific research projects and experimental projects; only after a sufficient third form foundation has been laid can we enter the fourth and fifth form.

12267

CSO: 4013/131

INDUSTRY

HEBEI'S INDUSTRIAL PRODUCTION IN JANUARY

Shijiazhuang HEBEI RIBAO in Chinese 20 Feb 84 p 1

[Article by Ji Tonggong [0370 0681 0501]: "Production in Hebei in January Is a Source of Inspiration"]

[Text] By engaging in activities on the industrial and communications battle line in a way to "bestir the spirit and develop Hebei vigorously" early in the year and by making an early start, making the best use of time and attending to minor details, our province has gotten off to a rousing start in the area of production. The total production of the industrial enterprises in the province came to 2,172,000,000 yuan, showing an increase of 12 percent compared to the same period last year and achieving the highest level in history.

Industrial production in January was marked by three special features. First, the light industries kept pace with the heavy industries. The light industries registered an increase of 14.4 percent while the heavy industries showed an increase of 9.6 percent. Second, the various economic types made advances side by side. While the industries under the public ownership system showed an increase of 12.6 percent, the collective industries registered an increase of 8.7 percent and the joint industries registered an increase of 16.7 percent. Third, the cities responsible for a higher ratio in industrial production value registered a higher rate of increase. The rate of increase exceeded 10 percent for such cities under the jurisdiction of the province as Shijiazhuang, Tangshan, Handan, Baoding, Zhangjiakou and Xingtai.

Communications and transportation also showed good promise. The average daily load of the branch bureau of the Shijiazhuang Railway exceeded the projected load of 21 cars. The movement of cargo within the local system showed an increase of 3.8 percent compared to the same period last year. Both the railroads and highways have done well in the transportation of materials for key construction projects of the state.

9621

CSO: 4006/459

INDUSTRY

HEBEI BREAKS INDUSTRIAL PRODUCTION RECORD IN FEBRUARY

Shijiazhuang HEBEI RIBAO in Chinese 10 Mar 84 p 1

[Article by Hong Wantang [3163 5502 1016] and Wang Qing [3769 7230]: "Hebei Again Achieves New Level in Industrial Production in February"]

[Text] In February, the total production value of the industrial enterprises in the province showed an increase of 24.1 percent over the same period last year. The average amount of daily production increased by 2.7 percent compared to January, the highest rate of increase for the same period in history and exceeding the average rate of increase in the nation and second among all the provinces, cities and autonomous regions of the nation.

In January and February, the total production value of the industrial enterprises of the province came to over 4.1 billion yuan, showing an increase of 17.7 percent compared to the same period last year. Out of that amount of the increase, light industries accounted for 22 percent, heavy industries 13.8 percent, enterprises under the public ownership system 18.7 percent and collective enterprises 13.7 percent. Among the 21 prefectures and cities, those which equalled or exceeded the average rate of increase in the province included the 3 cities of Shijiazhuang, Xingtai and Zhangjiakou and the 6 prefectures of Handan, Xingtai, Shijiazhuang, Baoding, Langfang and Hengshui. Among the 72 out of the 100 major products which continued to show an increase in production compared to the same period last year were bicycles, television sets, cotton yarn, cigarettes, raw coal, electricity, chemical fertilizers, cement, plate glass and small tractors.

9621

CSO: 4006/459

INDUSTRY

YUNNAN'S METALLURGICAL INDUSTRY EARNS HIGHER PROFITS

Kunming YUNNAN RIBAO in Chinese 19 Mar 84 p 2

[Article by Wang Shixin [3769 0013 2450]: "Yunnan's Metallurgical Industry Made a Profit of 35 Million Yuan Last Year as a Result of Technical Improvements"]

[Text] According to statistics supplied by the Provincial Metallurgical Bureau, the metallurgical system throughout the province made a profit of 35 million yuan in 1983 as a result of technical improvements, or roughly one-fifth of the total amount of profits made by the entire system.

From 1980 to 1982, the various metallurgical enterprises introduced a large number of innovations and reforms. As a result of technical improvements, the entire system made an average annual profit of 10 million yuan. Those in positions of leadership at various levels within the system, having tasted the fruits of their endeavors, became even more eager to bring about technical improvements. Since last year, the system has progressed from the tapping of latent resources, the making of changes and the introduction of reforms to technical development, technical reforms, the import of technology, technical management and technical innovations. The entire system, aside from having made plans for carrying out 18 major reform projects, has also drawn up plans for 25 key scientific and technical projects. Up to the moment, 22 of the projects have basically been progressing according to schedule and show notable results. Regarding the technology of processing lean tin middlings, listed as a key scientific and technical project by the state, Yunnan Tin Company has designed, begun construction on and completed the project all in the same year and has now reached a stage where trial runs may be conducted. Once this new technical project begins production, it is estimated that the annual profits made by the metallurgical system will be increased by over 3 million yuan. The machinery maintenance plant of the Yunnan Tin Company, in applying the theories of the value of construction, by making an analysis of the functions and the cost of the production of cleaning and roughing tables and by doing a better job in designing and improving the technological standard, is expected to save over 530,000 yuan annually.

The metallurgical system attaches great importance to the extension of the achievements made by the adoption of advanced technology imported from abroad throughout the nation. During the past year, the metallurgical system, by

extending 22 major new technological innovations throughout the nation and by importing 3 sets of equipment from abroad, has greatly increased production and promoted scientific research.

The decision has been made by the metallurgical system to continue the work of technical development during the year. Certain factories and mines are in the process of resorting to the use of electronic computers in the administration of the enterprises and exercising better control over the process of production with the view to achieving greater economic effectiveness.

9621

CSO: 4006/459

INDUSTRY

LIAONING ANNOUNCES SUCCESS OF ENTERPRISES

Shenyang LIAONING RIBAO in Chinese 29 Feb 84 p 2

[Article: "The Circumstances of Liaoning's State-Run (Industrial, Commercial, Supply and Marketing and Food) Enterprises Reversing Losses; the Provincial Office of Enterprises Reversing Losses and Readjusting Made an Announcement"]

[Text] The Provincial Office of Enterprises Reversing Losses and Readjusting announced the 1983 situation for Liaoning's industrial, commercial, supply and marketing and food enterprises reversing losses.

Industrial Enterprises

Those areas that have completed and overfulfilled the plan handed down by the state for turning around losses are: Shenyang, Benxi, Dandong, Jinzhou, Yingkou, Liaoyang, Chaoyang Prefecture, Tieling Prefecture, the Provincial Department of Metallurgy, the Provincial Bureau for the Management of the Coal Industry, the Provincial Department of Machine Industry, the Provincial Office for National Defense, the Provincial Paper-Making and Reed Company and the Provincial Bureau for Salt Management.

Compared to 1982, the number of enterprises running at a loss because of management and the total amount of their losses have been reduced by half in 9 cities and prefectures excluding Anshan, Fushun and Fuxin. Of these, those who have reduced their losses by more than 60 percent are the following 6 cities and prefectures: Chaoyang, Jinzhou, Yingkou, Tieling, Benxi, and Dandong.

Of the subordinate enterprises under provincial departments, the following have wiped out money-losers: the Paper-Making and Reed Company, the Bureau of Medical Management and the Bureau for Salt Management. The Department of Machines reduced the number of money-losing enterprises and the amount of losses by half. The Provincial Silk Company is a newly emerged money-losing business, and its losses totalled 230,000 yuan.

The 6 industries that reduced the number of money-losing enterprises and the amount of losses by half are: metallurgy, machine, chemical, electronics, farm machinery and geology. The electricity and weaving industries cut their losses in half.

Up to the end of 1983, 71 of the province's enterprises had losses above or approaching 500,000 yuan. Of these 25 enterprises ran in the red because of policy and 61 others suffered losses because of management. Enterprises with losses in excess of 1 million yuan because of management are: The Shenyang Tractor Plant, the Shenyang Factory of Ceramics of daily use, the Jinxian Factory of Farm and Herding Machinery, the Anshan Magnetic Materials Plant, the Anshan Clock and Watch Factory, the Anshan Number 5 Ceramics Plant, the Anshan Number 2 Ceramics Plant, the Taian County Sugar Manufacturing Plant, the Fushun Municipality Vacuum Equipment Plant, the Fushun County Number 1 Farm Machinery Plant, the Fushun Municipality Number 1 Electrical Instrument Plant, the Qingyuan County Paper-Making Plant, the Fushun Municipality Chemical Fiber Dyeing Plant, the Jinzhou Ceramics Plant, The Fuxin Weaving Factory, the Tieling Coking Plant, the Xinfeng Machinery Plant and the Lingfeng Machinery Plant. Enterprises with losses from 500,000 to 1 million yuan because of management are: The Shenyang Number 2 Diesel Engine Factory, the Lushun Glass Plant, the Zhuanghe County Paper Manufacturing Plant, the Anshan Number 1 Ceramics Factory, the Fushun Radio Factory, the Fushun Enamel Factory, the Benxi County Nitrogenous Fertilizer Plant, the Original Benxi Wire Telegraph Factory, the Dandong-Fengcheng Mine, the Dandong Petrochemical Works, the Kuandian County Cotton Weaving Plant, the Dandong Number 2 Glass Plant, the Dandong Leather Plant, the Xingcheng County Chemical Fertilizer Plant, State-Run Factory 8230, State-Run Factory 8231, the Jinxi County Clock Factory, the Jinzhou Cotton Weaving Factory, the Yixian Cotton Weaving Factory, the Yixian Machine Repair and Building Plant, the Yingkou City Jiusai Cement Plant, the Fuxin County Cotton Weaving Factory, the Liaoyang Ploughshare Chemical Plant, the Dengta County Chemical Fertilizer Plant, the Liaoyang Electronic Instrument and Meter Plant, the Liaoyang Construction Materials and Machinery Factory, the Xinjin Diesel Engine Plant and the Xinxing Machinery Plant.

Commercial Enterprises

The number of the province's money-losing state-run commercial enterprises decreased 45.1 percent compared to the year before, and the amount of losses decreased 17.8 percent. Of this, the amount of management losses decreased 79.4 percent.

From a regional viewpoint, Dalian eliminated money-losing units. The number of money-losing enterprises and amount of losses of Benxi, Jinzhou and Chaoyang decreased more than 80 percent. Those 6 places that decreased the number of money-losing enterprises and amount of losses by greater than 50 percent are: Shenyang, Anshan, Dandong, Yingkou, Fuxin and Tieling. Of these, the amount of losses was reduced 91.7 percent in Shenyang, 80.8 percent in Anshan and 95 percent in Tieling.

From an industry by industry viewpoint, the alcohol and tobacco industries reduced losses by 99.8 percent, the general merchandise industry by 73.8 percent, the weaving industry by 86.5 percent, hardware by 64.2 percent and food and service industries decreased losses by 58.1 percent. Food products enterprises increased losses by 10.5 percent (6,413 extra jin of pork was sold), and vegetable enterprises reduced losses by 15.3 percent.

Supply and Marketing Enterprises

The number of the province's money-losing supply and marketing enterprises above the county level decreased 51.5 percent compared to the year before, and the amount of losses decreased 47.6 percent.

From a regional view, the number of money-losing enterprises and total losses decreased more than 50 percent in Dalian, Fushun, Benxi, Jinzhou, Yingkou and Liaoang. Of these, the amount of losses of Dalian decreased 95.9 percent and the losses of Jinzhou decreased 90.5 percent.

From an industry by industry viewpoint, we reduced losses in farm goods by 91.8 percent, in trade goods by 51.3 percent, in sundry goods by 37 percent, in waste products by 37.5 percent and in local products we reduced losses by 34.5 percent. In fruit, losses increased 27.1 percent, and in cotton and hemp, losses were increased 16.5 percent.

Food Enterprises

Losses were increased 38.3 percent compared to last year.

Finance and trade enterprises with losses in 1983 greater than 500,000 yuan are: The Shenyang Cotton and Hemp Company with losses totalling 2 million yuan and the Chaoyang General Merchandise Retail Center with losses amounting to 3.19 million yuan.

12437

CSO: 4006/376

INDUSTRY

INDUSTRIAL ENTERPRISES TURN LOSSES INTO PROFITS

Shenyang SHICHANG ZHOUBAO in Chinese 14 Feb 84 p 1

[Article by Zhou Shichang [6650 0013 2490]: "Last Year Liaoning Province's Industrial Enterprises Achieved Outstanding Results in Their Work in Reversing Losses; Turning Losses into Profits Was Considered a Formidable Task of Our Economic Work"]

[Text] In 1983, each enterprise and department of Liaoning Province considered turning losses into profits to be a formidable task in their economic work, and they achieved outstanding results. The number of the state-run money-losing industrial enterprises within the provincial budget was reduced 55.5 percent last year compared to the year before, and 351 businesses with losses in 1982 have rid themselves of their deficits. The total amount of losses has been reduced by 47 percent, or by more than 106 million yuan compared with the year before. Of this amount, losses because of management were reduced 62.5 percent compared to the year before, and this exceeded the task handed down by the central government of reducing losses by 90 million yuan.

The major practices and methods of work in turning around losses last year by Liaoning's industry are as follows:

The Entire Party Took Action and Leaders at Every Level Took Note. The leaders of many cities and prefectures personally led the comrades of the relevant departments to hold "consultations" with each of the money-losing enterprises and to adopt effective measures for reversing deficits. They especially paid attention to large money-losing businesses and county enterprises with large losses. The province continuously sent work groups and investigation teams comprised of nearly 1,000 people to 20 large-sized enterprises and 174 county money-losing enterprises, to gain firsthand experience and to give them specific help and guidance.

We Readjusted and Strengthened the Leading Group of Money-Losing Enterprises. Liaoning Province consecutively readjusted the leading group of 195 money-losing enterprises, sent 135 factory-level cadres to these enterprises, transferred 155 factory-level cadres and on-the-spot relieved and removed 63 factory-level cadres. At the same time we also rewarded a group of cadres that made a contribution to reversing losses, reflected the policy of making a distinction between rewards and punishments, and this had a great impact on those "embarrassed by frequent failures."

We Carried Out a Responsibility System for Turning Losses into Profits. The entire province, level by level, has handed down quotas for controlling losses, and layer by layer has implemented a contract system. The province allows the enterprises to have a share of profits if they reduce deficits, gives them no subsidies if they increase losses, rewards those turning around losses and punishes those increasing deficits. These strict measures have changed the long-standing method of "providing more and more sustenance" to money-losing enterprises and have compelled enterprises to feel that they have both pressure and impetus.

We Carried Out a Policy of Lifting Restrictions Towards Small Money-Losing Enterprises. We made it a rule that deficit enterprises with fixed assets below 1.5 million yuan can engage in collective contracts, assume sole responsibility for profits and losses and have floating wages. This restructuring measure has aroused the enthusiasm of both enterprises and staff and workers. Of the province's 31 small-sized money-losing enterprises that engaged in collective contracts and assumed sole responsibility for profits and losses, by year's end, 20 had turned profits into losses, and the other 11 enterprises had reduced losses compared to a year earlier.

We Combined Enterprise Readjustment with Turning Around Losses. We closed, suspended, merged, retooled or combined those backward enterprises with no prospects for development, products of inferior quality and high cost, and products similar to those manufactured by the advanced enterprises. One after another we closed 18 enterprises with long-standing losses, halted production of 4 enterprises for consolidation, merged 24 enterprises, cut down the accounting units of 4 enterprises, changed the direction of production of 8 enterprises and joined together 27 enterprises.

We Further Combined the Reversing of Losses with the Technology of Enterprises. We supplied methods and outlets to enterprises with products that suited the needs of society and that appropriately used investments to carry out technological transformations to be able to reverse losses, and we provided incentive to ahead of time make up the annual target for losses. We gave small technological expenses and five subsidies, and gave appropriate credit and other measures to 29 money-losing enterprises to turn around losses, and by the year's end 18 had turned losses into profits.

12437

CSO: 4006/376

INDUSTRY

BRIEFS

YUNNAN'S INDUSTRIAL PRODUCTION IN FEBRUARY--The total industrial production value in Yunnan in February, which exceeded 700 million yuan for the first time, came to 715 million yuan, showing an increase of 15.4 percent compared to the same month last year. The average daily production in the province in February showed an increase of 11 percent compared to the same month last year, or an increase of 5.8 percent compared to the previous month. Those region, prefectures and cities registering increases above the average rate of increase in the province include Kunming, Wenshan Zhuang, Xishuangbanna Dai Auto Prefecture, Baoshan Prefecture, Lijiang Prefecture and Diqing Tibetan Auto Prefecture. Increases were registered in metallurgical products, electricity, coal, chemicals, machinery, products turned out by the Fifth and the Sixth Bureaus, the light industries, pharmaceuticals, railroads, communications and the farm recalculation departments, bureaus and companies. The light and heavy industries showed an increase of 2.3 percent and 25.9 percent, respectively, compared to the same period last year. The total production value of the industries under the public ownership system and that under the collective system registered increases of 12.4 percent and 13.9 percent, respectively, compared to the same period last year. The industries in the cities, towns and neighborhoods showed an increase of 14.9 percent while those in the rural communes showed an increase of 9.7 percent. [Text] [Kunming YUNNAN RIBAO in Chinese 14 Mar 84 p 1] 9621

CSO: 4006/459

CONSTRUCTION

TEN KEY CONSTRUCTION PROJECTS COMPLETED

Kunming YUNNAN RIBAO in Chinese 23 Feb 84 p 1

[Article by Sun Shou [1327 1108]: "Ten Key Construction Projects in Yunnan Completed. Concerted Efforts Contributed by All Units, and Construction on the Key Units Is Progressing Smoothly"]

[Text] Last year Yunnan brought the scope of capital construction under control so that money and material could be amassed to guarantee the construction of key projects, thus accelerating the progress of priority construction.

Up to the end of last month, construction of key projects in Yunnan has progressed smoothly. Ten projects have been completed and put into operation. With the great support given by relevant units both inside and outside our province and the efforts contributed by the construction departments, the first phase of the Kunming Tri-sodium Phosphate Plant project has been completed smoothly, and products up to standard have been produced. The overall construction of the project has received favorable comments from relevant national and provincial departments. The annual national investment plan for the Lubuge Power Plant has been fulfilled, and construction of the first phase of the [transportation] hub and three other projects has kept pace with scheduled requirements. As to those key units belonging to the province, construction of the Xiaolongtan Second Power Plant has begun, is progressing rapidly, and the quality is good. The Kaiyuan Cement Plant extension project has been completed ahead of time. Its production capacity has been expanded from 270,000 tons to 500,000 tons. The Yongsheng Sugar Plant, the Yuanmou Sugar Plant and the Hehua Sugar Plant have been completed and put into operation. The two 10,000-kw generating units of the Dazhai Power Plant and the No 4 generating unit of the Xiaolongtan Power Plant have been completed and electricity is being generated. Good achievements have also been recorded in cultural and educational construction. The library of the Yunnan Engineering Institute has been completed and is now open. And construction of the Kunming Workers' Cultural Palace has proceeded ahead of schedule.

12631

CSO: 4006/346

DOMESTIC TRADE

LIAONING'S PROBLEMS IN COMMERCIAL CIRCULATION SYSTEM

Shenyang SHICHANG ZHOUBAO in Chinese 14 Feb 84 p 4

[Article by Fan Chuanyao [4636 0278 1031] and Ma Fengbao [7456 7685 1405]:
"Pay Attention to Coordinating the Relations Between Industry and Commerce
in the Reform of the Commercial Circulation System"]

[Text] In the reform of the commercial circulation system, the closed wholesale system has been eliminated. Retail stores are allowed to purchase goods directly from factories and handle wholesale goods. This open circulation system has invigorated the situation of exclusive operations, opened up commodity circulation channels, accelerated the development of production and invigorated and vitalized markets. However, it has also given rise to some new situations and problems worth noting. Most noticeable is that relations between industrial and commercial departments in some localities are rather tense and the contradictions between them are rather acute.

1. Industrial and commercial departments scramble for goods that sell fast. Industrial departments want to save more readily marketable goods for themselves so they can sell them, but commercial departments want to buy more readily marketable goods so they can sell more. Industrial departments want commercial departments to buy more slow-selling goods, but commercial departments want to buy fewer slow-selling goods or even none. Since October 1982, due to overstocking, commercial wholesale departments have not bought a single pair of stretchable polyester socks produced by the Yingkou City No 1 Knitting Mill. Later this mill introduced a new variety of socks resulting in a substantial increase in sales. This mill has not sold a single pair of these socks to city wholesale departments. Major products of the Yingkou City Dyeing and Knitting Mill are bedsheets, yarn-dyed fabric of long and medium staple and polyester chemical fabrics. Commercial departments only purchase bedsheets and reject all the rest because they are not marketable. The mill wants commercial departments to purchase all of its products. The two parties have never reached an agreement.

2. Industrial and commercial departments compete to sell commodities at cheaper

prices and scramble for the market. According to surveys of departments concerned, second-level local department stores in Hunan Province used to purchase over 400,000 yuan worth of Dandong wristwatches from the Dandong Department Store at transfer prices every year. Last year the Dandong Wristwatch Plant snatched this deal away from the Dandong Department Store by offering preferential treatment such as factory prices and credit. The Dandong Department Store monopolized all third-level department stores in Hunan Province by offering higher sales commissions. This took away business from the second-level department stores and forced them to return their contracts with the Dandong Wristwatch Plant. The competition of commodity sales has appeared not only between regions but also within the same region between industrial and commercial departments. The textile wholesale department and the textile industry sales department of Yingkou City held their own sales meetings at the same hostel on the same day. Some worried comrades said: "Should anything go wrong, this kind of competition will make both parties lose."

3. Afraid of taking risks, commercial departments do not like to stock commodities. For fear of burdens, some commercial departments like "spots" but not "futures." Nobody likes to stock commodities which are produced all year round, but sold only in certain seasons. They are afraid that such goods are marketable when they buy them but unmarketable when they sell them. This can cause overstocking (commercial departments will suffer losses if goods are in stock for over 4 months) and affect economic results. The amount of local products procured by commercial and affect economic results. The amount of local products procured by commercial departments has been reduced. In the first 5 months of 1983, commercial departments in Yingkou City reduced the procurement of local manufactured goods by 63 million yuan, a decline of 36.3 percent. Among the 11 commodities affecting the overall procurement situation of local manufactured goods throughout the area, only the procurement of cotton was increased over the previous year; the other 10 kinds were all reduced.

The emergence of these problems has had a major impact on industrial production and the market supply. First, the increase in the amount of local light industrial products procured by commercial departments is much lower than the increase in the production of the light industry. In the first 10 months of 1983, the total light industrial output value of Liaoning Province increased 5.4 percent compared to the corresponding period of 1982, but the amount of local light industrial products procured by commercial departments increased only 0.5 percent. The procurement of products transferred from other provinces has increased, while the procurement of products made in Liaoning Province has declined. Second, commercial inventory and commercial sales are not coordinated. From January to October 1983, the net value of sales of commercial departments throughout Liaoning Province was 5.77 billion yuan, an increase of 8.4 percent over the corresponding 1982 period. The value of commodities in stock was 2.89 billion yuan, a decrease of 11.7 percent, to which another 3 percent should be added if such factors as price reductions and disposal of overstocked commodities are excluded. Some commodities have been sold out. Third, the amount of commodities procured by state-run commercial units has declined,

their business volume has dropped by a wide margin and their economic results have been poor. Because second-level commercial departments are procuring fewer local products, their business is slowing down and the range of their business operations is growing smaller. Their business operations are in difficulty. Fourth, state and local revenue has decreased. In the first 8 months of 1983, local revenue and profits handed over by commercial units (referring to second-level units) in Dandong City declined by 41.6 percent compared with the corresponding 1982 period (there were, of course, other factors affecting the decline). Because both industrial and commercial departments willfully increase sales commissions and sell their goods at factory prices, a considerable amount of profits has been transferred to other provinces. Fifth, industrial production has become more difficult. Some commodities have been transferred from commercial inventory to industrial inventory. Many light industrial enterprises suffer from increased inventory and tight supply of industrial credit. Some have even suspended production.

Correctly handling relations between industrial and commercial departments and strengthening the coordination between them have a positive effect on vitalizing the economy, promoting production, stimulating markets and satisfying the daily needs of the people. How to coordinate the relations between industrial and commercial departments in light of current problems is an important issue that must be conscientiously studied and solved by industrial and commercial departments. We think we should now pay attention to the following few points in coordinating relations between industrial and commercial departments:

1. Commercial departments should adapt themselves to the new situation and the changes that have occurred following the reform of the economic system.
2. The seriousness of state plans should be enhanced. Both industrial and commercial departments must carry out their plans, honor their contracts and ensure overall balance between production and marketing.
3. Industrial and commercial departments should properly readjust and correctly handle prices for wholesale goods, prices for industrial departments to sell their own products and prices for retail stores to purchase goods directly from factories; thus ensuring a rational profit level between industrial and commercial departments and among industrial, wholesale and commercial retail departments.
4. Efforts should be made to further develop, explore and publicize the experience of industrial and commercial departments engaging in joint marketing in different ways.
5. Both industrial and commercial departments should enhance their understanding of the overall situation and support and serve each other.

12302

CSO: 4006/366

DOMESTIC TRADE

SUPPLY, MARKETING COOPERATIVES NEED FURTHER IMPROVEMENT

Harbin HEILONGJIANG RIBAO in Chinese 13 Feb 84 p 1

[Editorial Report: "The Operations of the Supply and Marketing Cooperatives in Heilongjiang Need Further Improvement"]

[Text] Supply and marketing cooperatives serve as principal avenues for the circulation of commodities in the rural areas. To speed up the circulation of commodities in the rural areas, it is necessary to emancipate further the supply and marketing cooperatives and to enliven their operations. As it is, the these cooperatives, hampered by the old system of circulation, are still hog-tied insofar as the rendering of services to the peasants is concerned. First, due to restraints imposed by the division of operations, the cooperatives are not allowed to purchase and market certain subsidiary agricultural products which the peasants find "difficult to sell" or to sell certain industrial products urgently needed by the peasants. Second, due to limitations set by the administrative divisions, some cooperatives are not permitted to cross administrative boundaries to replenish their stock of commodities which are in short supply in this area. Third, since certain localities have yet to lift the lid on the prices of the third category of materials and the prices of first and second categories of materials whose quota has already been met, the supply and marketing cooperatives cannot engage in negotiated procurements and sales or in promoting the sale of subsidiary agricultural products. In order to perk up the circulation of commercial commodities and to bring about reforms in the circulation system in the rural areas, it is first necessary to reform the supply and marketing cooperatives so that they may be freed from a variety of shackles and play their full role as the principal avenues for the circulation of commercial commodities in the rural areas.

Our circulation system took shape at a time when the economy was in a self-sufficient or semiself-sufficient state and when the production of commodities was far from being developed. In the early period following the establishment of the republic, it was necessary to adopt the policy of making the purchasing and marketing of major subsidiary agricultural products and a large variety of industrial products a monopoly of the state in order to meet the need for the development of production, to insure adequate market supplies and to stabilize commodity prices. We have, however, failed to develop and to perfect our circulation system to keep pace with developments. On the contrary, we perpetuated a circulation system that was confining, lacking in circulation avenues

and saddled with a multiplicity of links. Under this system, many subsidiary agricultural and industrial products which used to be handled by the supply and marketing cooperatives were transferred to other departments with the result that such special features as comprehensive operation and flexibility of supply and marketing cooperatives were gradually lost and the cooperatives began to resemble "government commercial operations." Although from the organizational point of view, the commercial character was restored to the supply and marketing cooperatives in our province during the past year, they have yet to acquire the flexibility which should be the hallmark of collective enterprises. To meet the needs of the new situation presented by the large-scale development of commercial commodities production, the supply and marketing cooperatives must be freed from the trammels of the old system of circulation.

To remove the bonds that tie up the supply and marketing cooperatives, the first thing to do is to enlarge further the scope of their operations and restore to them their traditional comprehensive character. The supply and marketing cooperatives must render their active assistance in finding markets for all subsidiary agricultural products produced by the peasants and make a serious effort to find sources of supply for the agricultural means of production and industrial products in daily use required by the peasants. They should be allowed to sell on commission or should be allowed to sell on commission or should be commissioned to sell certain means of production which they had hitherto not been permitted to sell, such as petroleum, small farm machines and implements, spare parts for farm machines and construction materials for civilian use. They should be permitted to purchase and to promote the sale of the third category of subsidiary agricultural products and the first and second categories of subsidiary agricultural products whose purchase and assigned purchase quotas have already been met. The fact should not be overlooked that there is a contingent of 120,000 staff members and workers in every nook and corner covered by network outlets of the supply and marketing cooperatives. The state commercial enterprises and the food, materials, farm machinery, medicine and tobacco departments should make full use of the supply and marketing cooperatives as an "omnibus" and allow them to engage in wholesale purchasing and marketing on commission. It is a waste of manpower and of material and financial resources to set up in duplicate new network outlets instead of using those that are already in existence. Furthermore, at a time when the production of commercial commodities is being extensively developed, the problem of circulation is not one that can be solved by any one department alone. Rather, it requires the close coordination and joint effort of all the departments concerned. The supply and marketing cooperatives must direct their efforts toward upgrading the standard of their operations, improving the quality of their service, reducing their operational expenses, attaching importance to the upholding of their prestige and setting up an equitable system for the distribution of profits on a mutually beneficial basis so that the various departments may see fit to entrust to them the responsibility of making purchases and sales on commission.

In order to emancipate the supply and marketing cooperatives, it is necessary to remove the restraints imposed by the setting up of administrative boundaries. The basic-level cooperatives of the supply and marketing cooperatives

and the third-class centers must be permitted to organize the circulation of commercial commodities in the proper direction and according to the setup of the economic districts. They must be permitted to make use of the third-class centers as bases for laying in stocks of merchandise from nearby second- and third-class centers to replenish depleted supplies in the third-class centers. The basic cooperatives and commercial warehouses must be allowed to purchase directly from the factories products which they are permitted to sell so as to reduce the number of circulation links and to speed up the circulation of commercial commodities. The basic cooperatives and third-class centers must be permitted to go to other provinces to lay in merchandise and to market subsidiary agricultural products so as to open up further the market for such products.

To emancipate the supply and marketing cooperatives, the problem of prices must be properly dealt with. Depending on market conditions, they must be permitted to purchase and to market the third category as well as the first and second categories of commodities whose purchasing and assigned purchasing quotas have been met. By the relaxation of policy is meant chiefly the lifting of price controls. Unless control over prices is lifted, relaxation over commodities is no relaxation at all. It is only when the supply and marketing cooperatives are free to engage in making negotiated purchases and sales that it is possible to speed up circulation and to promote the sale of a larger volume of subsidiary agricultural products. The supply and marketing cooperatives must also strictly adhere to the price policy, actively engage in country fair trade and play their full role in bringing stability to the market and to commodity prices.

The supply and marketing cooperatives must take the lead in liberating themselves from their "leftist" way of thinking and from the confines of their old patterns. While being subjected to external restraints, they are also subjected to serious restraints imposed by their own outdated way of thinking and workstyle. They must free themselves from the restraints associated with "government-run" commercial enterprises, make themselves truly cooperative commercial enterprises under the collective peasant ownership system and dedicate themselves to the service of the peasants. They must cease to restrict themselves exclusively to purchasing and marketing operations, direct their efforts toward enlarging the scope and improving the quality of their services before, during and after production and gradually develop into overall service centers. They must liberate themselves from the framework set by monopolistic ideas, embrace the concept of multi-channel operations, loosen the shackles which impose a restraint on other people and render their active support to collective and individual commercial enterprises. They must truly dedicate themselves to the opening up of multiple channels of circulation, the attainment of progress and prosperity and the large-scale development of the production of commodities in the rural areas.

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CSO: 4006/343

DOMESTIC TRADE

READJUSTMENT OF COMMODITY MIX URGED IN NINGXIA

Yinchuan NINGXIA RIBAO in Chinese 17 Feb 84 p 3

[Article by Jiang Shengyao [5592 3932 3852]: "Readjust Commodity Mix to Improve Economic Results"]

[Text] Under the condition that a commodity economy exists, the market situation is constantly changing. Doing a good job in the commodity mix plays an extremely important role in rationally organizing commodity circulation, satisfying consumer needs and improving economic results.

Judged from the current management situations in some commercial departments in Ningxia Autonomous Region, the key factor affecting economic results is the commodity mix. Weaknesses in the commodity mix have seriously affected marketing, circulation and purchasing, resulting in a decline of profits. Given no choice but to readjust the structure of their inventory, some enterprises had to "reluctantly part with what they treasure" and dispose of overstocked imperfect commodities by selling them at substantially reduced prices, thereby causing losses. For example, the Xincheng wholesale department of the Regional Textile Goods Co is a third-level wholesale department with a fairly high management level. During the period from 1982 to September 1983, this department alone disposed of 130,000 yuan worth of overstocked imperfect commodities. In 1982, it disposed of 100,000 yuan worth of commodities but only handed over 90,000 yuan of profits to the state. This shows that its losses were greater than its annual profits. In 1982, the gross profits of this enterprise totaled 500,000 yuan. This shows that imperfect commodities decreased its profits 20 percent. In other words, if the losses caused by imperfect commodities had been kept below 5 percent, this enterprise could have increased its profits by at least 75,000 yuan. A rational commodity mix is a life or death matter for an enterprise. It plays a decisive role. It also explains why there is potential that can be tapped to improve economic results.

There are many causes of an irrational commodity mix. The general causes are as follows: 1) Most enterprises do not pay attention to market forecasting. They underestimate the changing market situation. Their ability to handle emergency situations is limited. 2) Since the establishment of the management responsibility system, the tendency of one-sidedly emphasizing profits has risen again in some enterprises. They pay attention to large profits and

ignore small profits. They are afraid of overstocking commodities, but they are not afraid that commodities will be sold out. Some one-sidedly reduce inventory to increase profits. 3) Enterprise management and administration lag behind the situation and are not linked well to the immediate interests of their workers. Enterprises do not have a clear reward and punishment system, causing some workers to be careless and unconcerned with whether commodities are overstocked or sold out. In the pursuit of material benefits, some even purchase low-quality high-priced "under-the-counter goods," resulting in overstocking. In some enterprises, new commodities begin to pile up as soon as old commodities are disposed of.

Then how do we readjust the commodity mix to accelerate the improvement of economic results? Judged from the situation of the Regional Textile Goods, we should focus on doing a good job in the following areas:

1. Start with market investigation and carry out in-depth forecasting work. Market investigation and study is a foundation of market forecasting. Only by carrying out in-depth investigation and study and gathering and accumulating a large amount of data on production, supply and marketing can we provide reliable basis for scientific forecasting and policymaking. Otherwise, we will come to grief and lose much money.

2. Properly increase stock to guarantee market supply. Stocking commodities is a necessary condition for commodity circulation. Judged by the distribution of textile and knitted goods in stock owned by the Regional Textile Goods at the end of August 1983, the stock of retail departments is too small, accounting for only 15 percent of total stock. This indicates there is a general problem concerning variety. As far as stock is concerned, the key is wholesale departments. In particular, the second-level departments of the company should pay attention to playing the role of "reservoirs." They should generally have 5 to 6 months of supply in stock. They should not only store "water" but also filter "water" by persisting in stocking readily marketable and high-quality popular-brand products. They should insist on using popular brands to bring along general brands and using products made in other provinces to bring along other products. Retail departments only need to persist in frequent purchasing and marketing, stock a satisfactory variety of goods, keep a proper amount of stock and guarantee that commodities will not be sold out. At present, some people think we should let grassroots retail departments stock more goods. This is impractical. We should proceed from reality, distinguish between levels and properly readjust the interest rates of loans for second-level, third-level and retail departments. We can also adopt measures such as giving preferential treatment for stocking popular brands of products and commodities in great demand. This can help second-level departments do a good job in stocking commodities. It can also help reduce social expenditures by preventing grassroots retail departments from making blind purchases in other provinces.

3. Practice the "four guarantees" and persist in winning a victory with quality and variety. To ensure a rational commodity mix under the current situation, we must also insist on holding individuals responsible to

enterprises and holding enterprises responsible to markets. Responsibility must be given primary importance. The system of the four guarantees--guaranteed purchases, sales, marketable rates and variety -- should be implemented among employees for causing serious overstocking and losses and for allowing commodities to be out of stock for a long time without proper reasons. We should adopt a clear reward and punishment system, encourage the advanced and help the backward in a timely manner, guard the pass of "mouth" through which "disease" comes in and prevent overstocking of new commodities.

4. Change business style and strive to make things convenient for grassroots retail departments. Along with the emergence and development of multiple channels and a buyer's market, our commercial departments are required to make further efforts to overcome a bureaucratic business style and invigorate and make a success of their business. In purchasing and marketing, we must fully estimate the changes of various factors affecting purchases and sales (such as supply situations, market changes, the scope of business operations, design and variety, and transportation conditions). We should adhere to the principle of ordering according to sales with orders slightly larger than sales. This can guarantee that commodities will not be sold out or overstocked. Regarding the variety of commodities in stock, we should guarantee both the basic needs for the people's standard of living and the diversity and colorfulness; we should both increase the design and variety and prevent blindness in business. As far as business style is concerned, attention must be paid to flexibility. For example, retail departments should extend business hours and increase the number of outlets (set up stalls and provide delivery services) in light of the salient feature of increasing mass purchasing power. Wholesale departments should try their best to make things convenient for retail departments. In addition to making out invoices and delivering goods on time, they should proceed from facilitating sales and minimize the lowest amount required for wholesale (cotton cloth can be sold by one bolt and knitted goods, sundry goods, stationery and metal products can be sold by one package, box or pair). They should also help exchange imperfect commodities bought by retail departments. This can help establish closer relations between wholesale and retail departments, spur enterprises to gradually rationalize their commodity mix, facilitate the purchasing and marketing of retail departments and help them avoid overstocking, increase design and varieties and ease their "fear" in purchasing goods.

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